

The Political Economy of Microfinance

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By

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*For Usaan and Zuha, the light in my life
.... and for Shoaib the challenge in my life*

The only tyrant I accept in this world is the "still small voice" within me. And even though I have to face the prospect of being a minority of one, I humbly believe I have the courage to be in such a hopeless minority.

- Mahatma Gandhi

(Quoted in: "The Essential Gandhi: An Anthology of His Writings on His Life, Work, and Ideas", edited by Fischer, L. (2002:160)

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LIST OF ACRONYMS AND ABBREVIATIONS

ACCION	Americans for Community Cooperation in Other Nations
ASA	Association for Social Advancement
BDO	Business Development Officers
BRAC	Bangladesh Rural Advancement Committee
HH	Household
INR	Indian Rupees
JLG	Joint Liability Lending
LSA	Livelihood Service Advisor
MDG	Millennium Development Goals
MIX	Microfinance Information Exchange
MFI	Microfinance Institution
MFP	Microfinance Provider
MSSD	Most Similar Systems Design
NABARD	National Bank for Agriculture and Rural Development Bank of India
NGO	Non Governmental Organisation
NEED	Network for Entrepreneurship and Economic Development
OD	Over Draft
OSS	Operational Self Sufficiency
PKR	Pakistani Rupee
PMN	Pakistan Microfinance Network
ROSCA	Rotating Savings and Credit Association
SEWA	Self-Employed Women's Association
SHG	Self Help Group
SIDBI	Small Industries Development Bank of India SIDBI
UNO	United Nations Organisation
UP	Uttar Pradesh
USD	United States Dollar

Introduction

“I have enough work to engage my whole family in this trade now. It was not always like this, I have had to fight long and hard to get my family [husband] on my side. I have been with Kashf [microfinance Institute] for four years but I could have expanded earlier... It took me four to five years to convince my husband that a loan from them [Kashf] would not ruin or embarrass us as he feared... he subsequently gave in and now says that I was right all along.” (Microfinance client and self-employed shoe maker from Lahore, North Punjab, Pakistan)

“I want to have a loan to invest in my family business and support myself and my two small daughters, but since my husband has deserted us and as a married woman I do not have a male nominee to sign my loan applicationI do not qualify for a loan.” (Young, skilled bangle maker; she is dependent on her parents, who run a small bangle-making business from their home in Muzaffarpur, Bihar, India)

The above statements from interview subjects in India and Pakistan represent some of the difficulties facing women who are targeted by microfinance institutions (MFIs), and which in turn pose challenges to the performance of these MFIs. This thesis analyses the conflict of preferences of various communal groups and actors within the operational spheres of MFIs and their clients; and how the fear of persecution, stigma or sanctions (both real and perceived) from these communal groups and actors can affect the operations of MFIs. Besides the analysis of the conflict of preferences at the aggregate household level and within the social and political milieus of the communities, this thesis also investigates women's roles as clients of microfinance institutions while remaining embedded in their households and communities. One of the focal points of the analysis is the role that the familial and social spheres of these women play in their decision to take out a loan and become an MFI client, and in their journey toward some level of financial independence. The empirical analysis focuses on uptake of loans provided to women by two South Asian MFIs, one based in India and the other in Pakistan. Both MFIs are non-governmental organisations (NGOs) that exclusively target women as clients.

Researchers and practitioners alike increasingly realise that macroeconomic infrastructures and conditions alone cannot enable success in the microfinance sector, nor is it sufficient to explain that success. Closely associated factors like social institutions, cultures, norms and the “*social life of microcredit*” increasingly shape the demand for microfinance (Morvant-Roux et al. 2013; see also Fernando 2006). The “social life of microcredit” refers to

how various social actors within the MFIs' milieus engage with microcredit (Ibid: 302). Money and finance are social institutions in that their access and use depends on conventions, norms and formal rules; thus, money and finance create a permanent tension between the individual and the group, between personal aspirations and collective responsibilities (Guerin et al. 2011: 102, see also Guerin 2006). This ongoing tension takes several forms – as a means of relating to the group or creating interpersonal bonds of dependence and domination. Inclusion and membership in diverse social groups that range from the customary (family, ethnicity, caste, gender, religion) to the constructed (professional, neighbourhood, associative groupings) is constantly evolving (Ibid: 103). MFIs' social embeddedness is a major factor in distinguishing them from other contemporary financial institutions, but this means that they have to understand and evolve with their social settings and keep pace with the monetarisation of these societies.

As an example of how social embeddedness can determine the success or failure of MFI operations, the lending mechanisms that most MFIs employ, such as group lending, expect the borrowers to know one another and help a group member facing a temporary difficulty in payment. This practise rests on the assumption that social networks of clients can put pressure even on the most recalcitrant of borrowers to pay back their due instalments. The power of shame inside the community in case of default is enough for many not to miss payment (Banerjee and Duflo 2011: 167). Public shaming in case of loan default in face to face, mostly rural, communities has often resulted in heightened strife and dishonour for community members; who then try to regulate their fiscal behaviour accordingly (Karim 2011: xviii, see also Ashraf 2014). Thus, in abiding by certain norms and acceptable codes of conduct, and by avoiding actions that can lead to shame or ostracism, the members of the community sustain social institutions, and hence guarantee the conservation of social conventions (see Schweizer 1996).

Microfinance services are perceived and received differently by different communities, depending on prevailing norms and practices within these communities. A qualitative study of microfinance services in Morocco by Morvant-Roux et al. explores how people build and negotiate multiple meanings and understandings of microcredit which in turn shape the way they experience, use, misuse or reject MFI services (2013: 303). According to the study, local culture and religious norms are one major hindrance to borrow as many are reluctant to borrow (Ibid: 306). For example, the authors describe how indebtedness is perceived by many in these communities as something parallel to not being in control of your life and thus a matter of dishonour. *“Not being in debt is a matter of honour....indebtedness*

implied that the head of a household had failed to meet his family's material needs" (Ibid: 306, see also Ashraf 2014). It also becomes a religious issue for many as "...only those who have paid their debts are allowed to go on Pilgrimage to Mecca, one of the five pillars of Islam [according to the Quran]" (Ibid).

Similarly, cultures and regimes that forbid conventional interest rate or under systems/ regimes that forbid/ promote certain market forms would hardly be defined as microfinance friendly (see Hes and Polednakova 2013, Karim 2011 and Iqbal and Mirakhor 2013). Contemporary microfinance can face challenges in communities and societies where ideological or religious beliefs clash with the products that they have to offer. For example, the practice of loans against interest is prohibited in Islam, and Muslim communities may resist conventional microfinance for fear of violating religious injunctions (Hassan et al. 2013: 359). In a 2007 global survey on Islamic microfinance, CGAP revealed that some 72% of people in Muslim countries refrained from using interest based microfinance services, citing religious injunctions against interest payment (Karim et al. 2008). Statistics compiled by another study show that around 155.5 million adults are not integrated into the microfinance market, simply due to the fact that they live under Islamic (Sharia) Law in countries including Iran, Libya, Nigeria, Saudi Arabia, Sudan and Yemen, all of which ban conventional microfinance due to the practice of charging interest (Hes and Polednakova 2013: 26).

The role of MFIs within the communities they serve constitutes more than just the provision of credit to a targeted disenfranchised section of the population, and tend to disturb existing social relationships that are integral to the hierarchical structured constellations of class, caste and gender relations (Taylor 2011: 485; see also Mosse 2005 and Guerin 2006). Taylor (2011) demonstrates how MFI operations were plagued by the obstructive actions of rich landlords, merchants and moneylenders in an agrarian rural community in Andhra Pradesh, India. Taylor's analysis of microfinance crisis areas in India shows that relationships of power between different social classes, castes and gender hierarchies, embedded in webs of credit and labour relations between MFI clients and the powerful actors listed above, resulted in the proliferation of debt traps that hampered MFI operations (Ibid: 501).

This thesis seeks to address the question of to what extent, how, and under which conditions the social life of MFI clients, has an effect on MFI outreach and sustainability. This overarching theme of inquiry is broken down into 6 smaller questions, which are listed below. Following this introduction, in Chapter 1 I provide a review of relevant literature on microfinance and the important aspects of the social life of MFIs and their clients.

Chapter 2 will present a theoretical framework to analyse the preferences and incentives of the key stakeholder groups and actors that affect the operations of MFIs within their political and socio-economic environments. For this chapter, I mostly rely on Knight and Ensminger's (1988) bargaining framework for the emergence and change of social norms that have distributional consequences for the actors.

In Chapter 3, I elaborate a methodological framework that will address the country context, including social and cultural institutions, history and traditions, sampling methodology, and rationale for case selection. The chapter will also illustrate a systematic methodology to understand the pressures from different actors that the households and the women within these households face and deal with for want of an MFI loan.

Chapters 4 and 5 analyse and address key research questions, including if the *fear of persecution/stigma or sanctions from various actors within a community are dissuading potential clients from MFI membership (Q1)*. The chapters will also seek to determine whether any *interventions from various local actors within the working areas of MFI affect the MFIs' operations (Q2)*, and if *opposition to MFIs at domestic level from male guardian and family, is a deterrent for women who want to opt for MFI membership (Q3)*. Chapter 4 focuses on the case of India, while Chapter 5 examines the case of Pakistan. In the wake of a delinquency crisis of the microfinance sector in 2008-9 in the case of Pakistan, Chapter 5 will also examine the special case of interventions from several local actors that served as a catalyst in causing mass mobilisation and default within the areas of MFI operations, causing damage to the whole sector.

In Chapter 6, I compare the findings from both the countries and analyse *how women clients of the MFI in India differ from their counterparts in Pakistan (Q4)*. The comparison will also examine *if MFIs and their clients face the same set of problems or difficulties from within the social and communal milieus in different set ups or countries (Q5)*. And finally to see *if communal, social and domestic circles for the clients in both the countries have the same (or different) effect on their decision making process of opting for a microfinance loan (Q6)*.

Chapter 7 will provide a summary of the most important findings and present suggestions for policy implications.

1 Literature Review, Background and Concepts

1.1 Introduction

The past several decades have witnessed ups and downs for the microfinance sector. Microfinance was proclaimed to be a panacea for world poverty by scholars and practitioners alike: moving millions out of extreme poverty, empowering women through financial independence that in turn was reflected in better health and education outcomes for their children and families (The Guardian 2012). Perhaps the biggest achievement of the microfinance movement is that it has proved that the poor, too, are bankable, and has compelled scholars and practitioners to rethink banking principles. Microfinance institutions were originally concentrated in Asia and Latin America, and the perseverance of pioneers in these regions has demonstrated the viability/possibilities of this unconventional mode of banking. According to a paper produced by the Microcredit Summit Campaign, “...as of December 2012, 3,718 microfinance institutions reported reaching 203,509,307 clients” (Reed 2014: 60). The number of clients that MFIs serve today is an acknowledgement that the market for small-scale finance is huge. The long term effects of microfinance in developing countries have been slow to emerge, but are encouraging. Findings from a nationwide study in Bangladesh show that over a period of 19 years (1990 – 2008), about 1.8 million microcredit client households, affecting almost 9.43 million family members, had moved above the \$1.25 a day poverty threshold¹ (Reed 2011). A similar study in India revealed that in the period from 1990 to 2010, about 9 million households involved in microfinance rose above the \$1.25 a day threshold, directly affecting 45 million family members (Maes and Reed 2012).

Empirical evidence from studies on the positive impacts of microfinance is plentiful. Several macro-level studies verify that microfinance is a significant instrument for poverty reduction (Imai et al. 2012, Ahlin et al. 2011 and Kai and Hamouri 2009). In addition, several studies verify that microfinance can empower women (Devi 2014, Hulme and Arun 2011, Kim et al. 2007 and Holvoet 2005), increase child school enrolment (Pitt and Khandker 1998 and Odell 2010), lead to reduced violence against women (Hashemi et al. 1996 and Kim et al. 2007), positively affect the use of contraceptives (Schuler et al. 1997) and have a positive impact on the well-being of the household in general (Imai et al. 2010).

¹ The study simply estimates the change in status of microcredit client households between 1990 and 2008, when compared with their status during the time of the first loan received by any member of the household (Reed 2011).

There is, however, a growing tendency toward caution in interpreting the empirical evidence drawn from impact studies on microfinance across the world. For example, re-examining one of the most noted studies of microfinance impact, by World Bank economists Pitt and Khandker (1998) on microfinance in Bangladesh, Roodman and Morduch (2009) find results that contradict the original findings of the study, concluding that the positive impact reported by the authors was inconclusive, casting doubts on the reports of widespread benefits from microfinance.² In the wake of these findings, further evidence from randomised control trials (RCTs) also suggests results that partially contradict claims that microfinance alleviates poverty through income generation activities of the poorest households. In their field study of microfinance in Philippines Karlan and Zinman (2009) find that increased access to microcredit leads to less investment in the targeted businesses. In their randomised evaluation of the effects of introducing microcredit in a new market in India Banerjee et al. (2013) found that while microcredit succeeds in affecting household expenditure and creating and expanding businesses, this approach has no discernible effect on education, health, or women's empowerment. Others have challenged microfinance impact studies for having weak methodologies and inadequate data (Duvendack et al. 2011). Bateman and Chang (2012) postulate that earlier impact studies of microfinance were undertaken, and the results camouflaged, by the MFIs themselves, and by other microfinance advocacy bodies in dire need of funding from donors. This further leads them to assume that the claims of such studies from microfinance advocacy groups "...are almost all... massively exaggerated, and often openly false claims made relating to the power of microfinance". (Ibid: 16-17; see also Roodman 2011 and Hulme and Maitrot 2014).

In light of this mass of contradictory empirical evidence, it seems advisable to be cautious of uncritical praise for the effects of microfinance, but also of excessive scepticism. The aggregated results of these studies should not be taken as a standard measure for final or conclusive statements on the state of microfinance globally. The authors presenting positive outcomes for MFI clients acknowledge that more discussion is needed on the methods applied in the evaluation of MFIs (Roodman and Morduch 2009) and some suggest that RCT methodologies simply cannot measure the long term effects of the programs in the samples (Banerjee et al. 2013). The heterogeneity of the MFIs and extreme variations in the country demographics, political systems, social settings, cultural backgrounds and institutions make global comparisons of impact studies difficult. The incentives and interests of various

² Duvendack and Palmer-Jones (2011) have likewise tested the results of Pitt and Khandker (1998) and back Roodman and Morduch (2009) in their conclusions that there is no convincing evidence of microfinance benefits to the poorest especially when the women are targeted.

stakeholders, as well as the context in which they are embedded, play an important role in the MFIs operations.

More than ever, the microfinance sector is of significant interest to practitioners and policy makers focussed who seek to increase financial inclusion among low income segments of globally linked markets (Giesbert 2013 and Prahalad 2005). Yet creating a client-friendly culture of microfinance service provision that sincerely takes into account an understanding of the worlds of its clientele is a difficult task. Much depends on institutional infrastructures, cultural and social norms and the interpersonal relationships that persist in all communal and familial interactions. This thesis aims to better understand, on the basis of empirical evidence, the complex process of clients' decision-making in opting for MFI loans, in the context of their familial and communal roles. This understanding could enable MFIs to develop successful outreach strategies and sustainable solutions for their clientele, as well as making it possible for the clients, particularly the poor, and especially poor women, to obtain more appropriate services.

1.2 Background and concepts

1.2.1 What is microfinance

In the mainstream literature, the term microfinance primarily refers to microcredit, although it entails much more than just credit, encompassing insurance, savings, and remittances. Karlan and Goldberg (2011) define microfinance as the provision of small-scale financial services to low-income people normally deprived of access to mainstream banks (2011: 20). MFIs can be banks, credit unions, non-bank financial intermediaries or non-governmental organizations (NGOs). Appendix 1 lists and describes the types of institutions and micro-lending sources that exist.

The central idea behind microfinance is to provide working capital to populations that are typically unbanked and economically weak, usually for small income generating businesses, in order to benefit the borrowers and their families by reducing their poverty level. Ideally microfinance is expected to reach out to populations that lack the capital to execute their entrepreneurial plans to achieve self-sufficiency. Characterised mostly by group lending models where social collateral³ and peer pressure is used as a means to induce loan repayment in the absence of any other collateral, MFIs have designed and evolved institutional structures that are mobile and decentralised to bring their services to regions where they are needed.

³ Social collateral is a trust mechanism through which a borrower's reputation, or the social networks to which they belong, take the place of traditional physical or financial collateral (Bastelaer 2000).

Historically, the institutionalised microfinance in the form of locally established, non-commercial financial credit associations, with only local funding through member deposits, like that of the Raiffeisen Bank of Germany in the 1850s (see Guinnane 2011 for an overview of early German credit cooperatives). More informal forms of microfinance, such as rotating savings and credit associations (ROSCAs), existed worldwide, with small regional differences, long before the European credit cooperatives took shape (see Armendáriz and Morduch 2007). Both the formal and informal predecessors of contemporary microfinance had much in common: they were local initiatives with members usually hailing from the same communities, mostly low income individuals, and free of any state or external assistance. Historically, informal microfinance sources differed from their institutionalised counterparts in a way that makes them similar to contemporary MFIs: high participation by, and explicit focus on, women. Similar to the present-day microfinance industry's focus on lending mostly to women, ROSCAs were pre-dominantly joined by women in Asia and Africa, whereas the institutionalised credit unions normally had a male clientele.⁴

Typically, microfinance is associated with the less developed part of the world, mostly because the demand for such services is higher and the possible impacts more profound (Hudak 2010). The hype touting microfinance as the solution to world poverty rose steadily for three to four decades. However, the climax came in 2005, when the United Nations Organization (UNO) declared that year the “international year of micro credit”. The following year saw the Nobel Peace Prize Award awarded jointly to the Grameen Bank of Bangladesh and its founder Muhammad Yunus for “...*Their efforts to create economic and social development from below*” (The Nobel Foundation 2006). This brings us to the issue of microfinance's popularity among academics and practitioners as a policy tool for poverty alleviation and women's emancipation alike.

1.2.2 Microfinance as a development tool and the targeting of women

For the poor lacking the cushion of savings in times of financial crunch, credit is often the only way out. They may turn to their next of kin or to informal commercial lenders – local traders, employers and landlords, commodity wholesalers, pawnbrokers and moneylenders of various types – reported to offer credit at interest rates as high as 200 – 400% per annum (Robinson 2001: 13). In the 1960s, the most widely used tool to address the need of capital for the poor, mostly in the agricultural sector, was subsidised rural credit schemes run by the

⁴ See Ardener (1964) and Ardener and Burman (1995) for a good overview of composition of ROSCAs and gender in many Asian and African countries

state. However, their poor performance and failure to reach the real poor led to programs by private operators and NGOs (see Holt and Ribe 1991 and Armendariz and Morduch 2007). These private operators and NGOs experimented with micro-loans for the micro-enterprises of the most vulnerable groups within the population, mostly women; they were active in many parts of the world, but particularly so in South Asia and Latin America (Helms 2006, see also Hudak 2010). These experimental micro-credit programs of the late 1960s and 1970s, examples of which include the Grameen Bank of Bangladesh, the Self-Employed Women's Association (SEWA) Bank of India and Americans for Community Cooperation in Other Nations (ACCION) of Latin America, were the pioneers of modern day MFIs.

Through the 1980s and 1990s, the private ventures and small NGOs became formalised into financial institutes and large multinational NGOs. Striving to promote small scale lending, the focus shifted even more to women after results demonstrated that women had much higher repayment rates (Hossain 1988, Khandker et al. 1995, Armendariz and Morduch 2007 and D'Espallier et al. 2009). With the rise of neoliberal paradigms of development favouring the withdrawal of state from welfare policies over the decades, together with the unpopularity of prior state initiatives for subsidised credit programs, the time was right for developmental schemes based on entrepreneurship, competition and efficiency to take the lead.

At the turn of the millennium the UNO outlined eight overarching Millennium Development Goals (MDGs), promising to end extreme poverty and the betterment of human existence (United Nations Millennium Development Goals 2012). Appendix 2 lists the eight MDGS and their respective targets. Evidence from recent macro-level studies indicates that microfinance significantly reduces poverty (Imai et al. 2012, Ahlin et al. 2011 and Kai and Hamouri 2009). Furthermore, impacts are shown to be greater when women are targeted as recipients of welfare policies, be it aid or credit, because their motivation for economic independence is different than those of men. With economic strength women's bargaining power within the household increases, which in turn leads to women taking decisions to invest their income in their households for the wellbeing of children and families (Mahoney 2014, Devi 2014, Kristof & WuDunn 2009, Khandker 2003, Deshpande and Burorjee 2002, see also Skoufias 2001). Thus, like a glove that fits the hand perfectly, microfinance offers all the attributes of a strong strategy for reaching the MDGs, as it aims for inclusive financial systems for the economically weak and predominantly targets women as clients. Empirical evidence, though contested, is still optimistic that microfinance empowers women (Devi 2014, Hulme and Arun 2011, Kim et al. 2007 and Holvoet 2005), increase child school

enrolment (Pitt and Khandker 1998 and Odell 2010), lead to reduced violence against women (Hashemi et al. 1996 and Kim et al. 2007), positively affect the use of contraceptives (Schuler et al. 1997) and have a positive impact on the well-being of the household in general (Imai et al. 2010).

Given this background, a lot of developmental aid money has flown into the microfinance sector from various international aid organizations to support the movement of poverty alleviation and/ or achieve the MDGs. Still, several sceptics doubt that microfinance really alleviates poverty. They argue that the impact of microfinance is miniscule, as loans are mostly misused and benefit very few in the long run, and that microfinance is actually a political barrier to sustainable economic and social development (Banerjee et al. 2013, Bateman and Chang 2012 and Karim 2011). The strongest argument against microfinance, however, is based on the grounds that microfinance is not sustainable when targeting the ultra poor, and that most MFIs will not be able to sustain themselves without infusions of external funds being pumped (Morduch 2000). This sustainability drive had led many MFIs to adopt a strategy of commercialization to attract more capital and increasing interest rates to offer sustainable services to more clients (Helms 2006). At the same time, devastating microfinance delinquency crises between 2008 and 2010 in many countries, including Morocco, Nicaragua, Bolivia, Pakistan, Bosnia, India, and Nigeria brought a wave of bad publicity to the microfinance sector (Microfinance Focus 2011). The causes of these “microfinance meltdowns” are numerous, ranging from over-indebtedness and oversupply of microcredit services to politically motivated groups disrupting MFI services. This chapter will address the sector crisis in detail in a later section. The next section, however, will highlight the debate on how to measure MFI success criteria, particularly sustainability and outreach, which has been particularly prominent in the microfinance sector in the recent years.

1.2.3 Sustainability, outreach and subsidies

Sustainability of microfinance services⁵ means continued operations of the MFIs and thus a permanent provision of financial services to the poor (Helm 2006: 56), whereas outreach is simply increasing the number of clients using MFI services.⁶ For MFIs, the two major objectives are maximum outreach and sustainability of their operations. Sustainable microfinance is often argued to be a major challenge when the target groups are the ultra poor. This usually posits a trade-off between reaching out to a large number of poor people, and

⁵ Sustainability is the capability of an MFI to cover its operating costs with revenues without external funds or subsidies.

⁶ The literature covers various dimensions and aspects of outreach, including breadth, depth and scope of outreach. For a good overview see Vento 2006 and Schreiner 2002.

permanent access to services from financially viable MFIs; the most threatening scenario presented is that loans would get bigger and more expensive to cover costs, causing MFIs to drift away from a social mission of poverty alleviation towards commercialization (see Hulme and Mosley 1996; Conning 1999; Paxton, Graham and Thraen 2000; Zeller 2003). To avoid this dilemma, the microfinance movement has been hugely reliant on subsidies from donors, governments, charities and concerned individuals. This has attracted substantial criticism, however, especially as some MFIs are indeed able to reach poorer clients at the low end while still covering their full cost of transactions (Microbanking Bulletin 2003: 69-74, see also Armendariz and Morduch 2007).

Advocates have emphasised the use of “smart subsidies” as interventions aimed at minimizing distortions, mis-targeting and inefficiencies, and optimizing social benefits. Examples of smart subsidies include subsidizing start-up costs instead of ongoing operations, as well as short term subsidization of very poor clients who might not be able to afford loans at market rate (Armendariz and Morduch 2007). Others have argued that although reaching out to the ultra poor does not necessarily conflict with commercialization and sustainability, operations that target poorer clients may take longer to cover costs and become sustainable. Helms’s (2006) analysis of data from 2003 on 231 MFIs reporting to the Microfinance Information Exchange (MIX)⁷ shows no significant relationship between loan size (proxy for the level of poverty) and profitability. Of the 139 sustainable MFIs reported, almost 30% were MFIs targeting the poorest clients with the highest profits amongst the sustainable MFIs (Helm 2006: 47). However, recent evidence does point to a shift in the microfinance sector, from subsidy-dependence toward financial self-reliance. This shift to self-sustainability comes at a cost, as the poor are targeted less by self-sustainable MFIs.

Table 1 reports data for all MFIs reporting to the MIX over a period of ten years. The table shows that there is a trend of more MFIs becoming operationally self-sufficient (hereafter OSS). On average over the past ten years, there has been an increase of one percentage point per year in the number of MFIs that self-report as OSS. Another indicator is that the OSS median for non-OSS MFIs is also seen to be rising, meaning that even MFIs that are not self-sufficient, tend to cover more of their costs in 2012 than in 2002. Though MFIs reporting to the MIX Market are on average more profitable and committed to sustainability (Helm 2006: 45, see also Morduch and Armendariz 2007: 232), the average loan size per borrower has increased in size 140% over the past twelve years. While over time the clients of

⁷ Microfinance Information Exchange (MIX) is a business information provider in the microfinance sector. MIX collects and validates financial and social performance data from MFIs worldwide in addition to business information from networks, service providers, funders and investors.

most MFIs progress to bigger loans, the percentage growth of the average loan size, including all first time borrowers, is still very high relative to the client base. This means that the client base of the MFIs reporting to the MIX Market is not the ultra poor.

Table 1.1: Cross Market Analysis of MFIs over time

Year	Total MFI count (N)	MFIs Operationally self-sufficient (OSS)	MFIs not operationally self-sufficient (non-OSS)	OSS (median) of non-OSS MFIs	Percentage of MFIs that have attained OSS	Average loan balance per borrower (USD)*
2002	494	295	199	71%	60%	220
2006	1199	868	331	74%	72%	268
2012	1051	824	244	82%	78%	529

Source: Microfinance Information Exchange (Mix Market): Cross Market Analysis 2014

* For both MFIs that are operationally self-sufficient and those not operationally self sufficient

The literature on microfinance often mentions the potential relations between the two major objectives of MFI, outreach and sustainability. With respect to the relation between these two objectives, the literature can be divided into two pools or schools of opinion. Authors in one pool argue that a trade-off is unavoidable (Hulme and Mosley 1996, Heidhues et al. 2002, Dichter and Harper 2007, Annim 2009, Hermes and Meesters 2011), while a second group of authors suggests that the two objectives have mixed or complementary effects on each other (synergy effect) (Otero and Rhyne 1994; Christen et al. 1995, Cull et al. 2007, Kar 2010, Zerai and Rani 2012).

Trade-off Pool:

Arguments for a trade-off among the two main objectives can be summed up as follows:

A) Outreach has a negative effect on sustainability

With the rise in the number of clients and in the number of loans, operating costs (including salaries and administrative costs, screening costs, monitoring costs, depreciation of fixed assets, the cost of the loans and principal lost to default) rise as well (von Pischke 1996, p 226; see also Armendariz and Morduch 2007:243-244). The underlying assumption is that the greater the outreach, the higher the number of poor people being covered. Poor people usually get smaller loans. At the same time, the smaller the size of the loan, the costlier it is. Closely related to this argument is the lending mechanism of the MFIs. MFIs that usually opt for group lending serve more (poor) clients, but also suffer from poor loan recovery as yield

increases, and this hinders the objective of sustainability (Heidhues et al. 2002; Cull et al. 2007, Annim 2009 and Hermes et al. 2011).

B) Sustainability has a negative effect on outreach

Sustainable MFIs tend to cover a major part of their costs by increasing the rate of interest on the loans issued. Many authors argue that this leads to curtailing outreach, as many clients are not then able to afford the loans (Zeller 2003; Dehejia et al. 2005; Cull et al. 2007; Mersland and Strom 2010; Hermes et al. 2011 and Cull et al. 2011b). Many authors refer to this phenomenon as commercialization. They argue that fewer (and richer) clients will be targeted through individual loans in contrast to group lending; while group lending is less profitable and negatively affects sustainability, it is more effective in reaching poor clients (Heidhues et al. 2002; Mersland and Strom 2010).

Synergy effect pool

The arguments for complementarity between outreach and sustainability can be summarised as follows:

C) Outreach has a positive effect on sustainability

Though not explicitly taken up in the literature, there are hints that outreach might in fact positively affect sustainability (Wokadala 2008). As opposed to the arguments mentioned under (A), this notion is based on the idea that MFIs with significant outreach usually tend to increase their gross income and profitability from the increase in client volume. This enlargement brings with it diversification of risk (spreading out investments). It also allows diversification of the client base, so that MFIs can potentially serve the rich as well as the poor, possibly enabling cross subsidization.⁸ This underscores a different understanding of “outreach” as outreach to a varied clientele, as compared to (A) where “outreach” is understood as outreach to the poor.

D) Sustainability has a positive effect on outreach

Under this paradigm, MFIs aiming for sustainability (in the long run at least) will come up with better products and demand-oriented approaches. They can increase their efficiency with cost-reducing information systems, new lending technologies, and other such measures that achieve economies of scale, and that supplement their outreach. Moreover, MFIs perceived as sustainable may attract more clients because they see it worthwhile to

⁸ However, this was tried and proved futile by the Unit Desas of BRI, one of the largest MFIs in Indonesia (Robinson 2001).

become and stay a customer (Christen et al. 1995; Otero and Rhyne 1994; Meyer 2002 and Zeller 2003). This is true in the long run for MFIs that have enriched and diversified their product line over time. They can then attract a larger client base with more diverse service demands, such as for savings and insurance products (Robinson 2001; Sievers and Vandenberg 2007).

Discussion

The argument that sustainability affects outreach negatively, by restricting loans to individuals accepting a higher interest rate, is well grounded, as presented in (B). However, arguments in (A) that assume smaller loans, in combination with group lending, reach the poorest borrowers is a little confusing. Whether the poor are served or the rich, the core issue lies in defining *who the clients are – rich or poor* – and not outreach. Others have referred to the level of poverty of the clients being served as the “depth” of outreach (Schreiner 1998 and 2002), and can be best served via group lending. As the MFIs evolve, however, diversification of lending mechanisms in addition to group lending is eventually unavoidable to keep older clients graduating to individual loans. Thus the degree of poverty of clients may affect sustainability, but outreach as such has little impact on sustainability.

In practice, it is difficult to support the arguments for outreach positively effecting sustainability. As Zeller (2003) rightly notes, MFIs that claim maximum outreach without any external financial support (subsidies) in the long run have been very few and many continue to receive subsidies to support their client base. As outlined in (C), the issue of risk diversification is rather difficult for all MFIs, as they serve a restricted geographical area with a comparatively homogeneous demography. Then, as in the case of (A), the question of rich or poor clients does not really concern outreach, but rather reflects who is served. With respect to the argument that sustainability has a positive effect on outreach, there is evidence that backs the premise that MFIs with a diversified product base have obtained a large percentage of their funds through deposits of their savings customers and have reached more clients in the long run (Robinson 2001, Zeller 2003 and Vento 2006). This important funding source can be obtained at a lower cost than commercial debt and due to its denomination in local currency; it makes MFIs that avail themselves of this source less vulnerable to economic crises than MFIs with a large share of foreign currency debt (Robinson 2001 and Zeller 2003).

Summary

It appears that there is a stronger case for a potential effect of sustainability on outreach than vice-versa. However, this effect could be either negative or positive – there are good arguments for both.

For the thesis, the dependent variable is MFI loan uptake by the women in the households. This is important for MFIs because it affects outreach and encompasses the performance of MFIs in general, including with regard to sustainability. Given the assumption that interventions by various actors within the socio-political milieu of MFIs (these constitute the independent variables, as will be discussed in greater depth in Chapter 2) could cause hardships for MFIs and their clients in the communities and familial spheres. The effects of these interventions would certainly affect both outreach and sustainability of MFIs in the short and long term. Interventions from potential external agents pose a constant threat to the smooth and continued supply of services – in other words, to the sustainability of the MFIs. This will be demonstrated in Chapter 5 by the case of Pakistan, where in 2008 such interventions got out of control, enormously hampering the operations of MFIs, damaging their sustainability, and causing a crisis for the whole sector.

1.3 Reviewing the literature on microfinance and its relevance to research questions

1.3.1 The Sector Crisis

The last two decades have seen the microfinance sector evolve and grow, so that today it is a far ranging and dynamic arena (Cull, Kunt and Morduch 2011). After a phenomenal global average growth rate of about 40 percent annually between 2004 and 2008 (Chen et al. 2010), in recent years the microfinance industry has begun to show recovery challenges in many countries. In many cases, these challenges soon matured into crises when loan collection problems originating in one particular area spread like fire to other operational areas within the country or state, as was the case in Morocco in 2007 (Reille 2009), Nicaragua in 2008 (ACCION 2009), Pakistan in 2008-09 (Burki 2009), Bosnia in 2009 (Chen et al. 2010) and India in 2009-10 (CGAP 2010). The consequences have been devastating, for the reputation of the industry worldwide, but especially in terms of the human suffering that has been reported periodically in the media, such as suicides of defaulting poor clients trapped in a spiral of debt in India (see Biswas 2010, Burke 2011 and Hulme and Maitrot 2014).

The sector crises have multiple roots, with some factors common to all regions and others specific to particular countries. Broadly speaking, reasons for the crisis include uncontrolled rapid growth of the sector, concentrated market competition fuelled by abundant funding, multiple loans taken out by the clients leading to over-indebtedness and unethical lending practices from the providers or their employees (see Chen et al. 2010, Burki 2009 and Microfinance Focus 2011). Among the factors blamed for turning problems into a crisis were reported interference from opportunistic groups or individuals for personal gain in many of

the microfinance meltdown countries like Pakistan, Nicaragua and India. Reports of politicians, religious leaders, borrower associations, politically motivated groups, influential individuals, community and family members of microfinance clients' involvement in causing mass defaults and hampering MFI operations in crisis countries are on the rise in recent years (see Banerjee and Duflo 2011, Chen et al. 2010, Krishnaswami and Ponce 2010, Burki 2009 and ACCION 2009).

The operational spheres of MFIs encompass several stakeholders, groups and individuals of various scales, at several levels with whom they interact directly or indirectly. These groups can interact with MFIs on the micro-, meso- or macro- level and are of importance to their operations accordingly. For example, interest groups operating at the local, national and international level have played a key role in the sector's delinquency crisis. On the ground, the interventions of the local communal interest groups in MFI operations were more obvious in the crisis countries; however, among the major reasons for the crisis were an excessive funding of the sector by *donors (both national and international)* and unregulated, often unethical, practices of the providers where the *state and its various agencies* play a key role. For an understanding of the complete political economic framework within which the MFIs operate, the role of stakeholders and lobbies at the macro-level in influencing the operations of MFIs will be briefly discussed here before moving on to the local stakeholders who are of more importance and relevance for the study.

1.3.2 The political economic environment and impediments to microfinance

An academic literature on the relationship between MFI performance and stakeholders within their macro political economic environments has largely started to emerge in the past decade.⁹ Stuart explains the “authorizing environment” for MFIs, in which national and international actors exercise their controls over microfinance providers by either dictating what MFIs can and cannot do, or by controlling the flow of resources (2011: 253). Accordingly, Hermes and Meesters find evidence for a positive relationship between the political system and MFI efficiency, arguing that MFI-specific factors do not tell the whole story when looking at MFI outcomes, and that the larger macro-environment should be taken into consideration (2011: 199). As Girma and Shortland emphasise, “Political systems governed by narrow elites obstruct the development of the financial system [...] financial development may therefore be a deliberate policy choice by incumbents” (2008: 568, see also

⁹ Michaelowa (2003), Rajan and Zingales (2003), Tsai (2004), Weber (2006), Girma and Shortland (2008), Bruce (2009) and Hudak 2010 are among the few relevant works that focus on the political economy of financial development, informal finance and MFIs from various perspectives on the macro scale.

Rajan and Zingales 2003). They also show empirically that in democracies, the influence of lobbies is reduced through systems of checks and balances that increase the number of veto players that might have to be bribed to obtain loans without having a convincing project to present. Conversely, in authoritarian systems elites are likely to block reforms that would promote the development of financial markets to the benefit of the majority of the poor, because these would threaten elites' privileged status (Girma and Shortland 2008).

More convincing arguments are presented by Tsai, who researched informal credit markets in Asia, finding that outreach of MFIs in countries where they can operate independently and with little government regulation is much higher than the outreach of their counterparts in countries that lack such freedom (2004: 1491). Still others, like Rajan and Zingales (2003), show that interest group politics can serve as an impediment to financial market development. In her empirical study, Weber demonstrates eloquently the misleading and "politically naive analysis" of poverty in world politics, which often fails to address the contextual social and political aspects that underpin microcredit schemes (2006: 57). The role of stakeholders at the macro level, such as donors and national governments, therefore needs special attention.

1.3.3 Donors: international developmental aid agencies/ organizations

Michaelowa (2003) presents a rich discussion of donor interests that range from rival lending to the tendency of development aid organisations to promote and perpetuate their projects, which can immensely affect MFI operations. She argues that donor organizations are traditionally embedded in bureaucratic structures, where power and authority are dependent to a great extent on the size of the budgets at their disposal. In the quest to increase their allocations, or to avoid shortfalls in annual funds, it is often of the utmost importance that annual budgets be totally exhausted. Therefore, as expanding rather than cutting budgets is a rational step for these organizations, a strong incentive exists to exhaust their current budgets in a given year (Ibid: 79-80). Donor organizations have to justify their spending (to their auditors, the state and other financiers) so as to ensure the perpetuation of fund flows, which in turn guarantees the preservation of their status, projects and networks. It should be noted that although this set-up appears philanthropic at first glance, it can also have dire consequences for MFIs, as it hinders the eventual self-sufficiency of the MFI by encouraging dependence on aid, donations and grant input (see Morduch 2000: 617).

In addition, donors (or their respective countries) may have other interests to pursue. These interests can vary widely, ranging from influencing the financial policy of the recipient

country at the macro-level, to shaping institutional structures at the micro-level (for details see Michaelowa 1998). Another aspect on the donor side is the phenomenon referred to as “flag raising”: since the idea of microfinance is strongly associated with poverty alleviation, donors may seek to compete to sponsor MFIs in hopes of winning positive publicity from the public and eventually financiers. However, this has twofold negative consequences. First, there is the danger of “rival lending”.¹⁰ Second, this may lead to enthusiastic replication of programs that are successful in one set of circumstances, but may not be so in areas where other conditions prevail. This perspective on replication is rather naïve, as risks may not be similar across areas, populations, cultures, demographics, target groups and donors or other sponsors (Pischke et al. 1997: 30, see also Karim 2011, Ahlin et al. 2011 and Morvant-Roux et al. 2013).

Also of interest are the organizations, agencies and individuals who administer MFI funds, such as NGOs or local project staff. These NGOs and their local project staff typically aim to prolong projects so that managers and field employees keep their jobs.¹¹ The subsidizing of MFIs through grants and aid guarantees a steady flow of funds and thus ensures the MFI’s financial dependence, which in turn ensures the perpetuation of the project and maintenance of jobs. Here a paradox appears to be at work, in that contrary to the objective of financial self-sufficiency, long term and excessive subsidies for the MFIs are expected. This high subsidisation attracts a large number of clients, which make the MFI appear quite successful on the surface (Pischke et al. 1997). The donor’s short-term preferences of pumping funds into MFIs may, however, endanger the MFI’s operations in the long run. It is therefore evident that excessive funding may end up being detrimental to the central objectives of MFIs, whether serving the poor, women’s empowerment or operational self-sufficiency in the long run.

1.3.4 Government: bureaucracy and politicians

Governmental bodies are primarily composed of the bureaucracy and politicians. According to the assumptions of public choice, the bureaucracy acts in a self-interested way, pursuing power and following a budget-maximizing model just as the economic man pursues

¹⁰ Here the driving force behind the provision of micro-loans would be purely supply-driven, which in the long run can hinder the sustainability of the project (Pischke et al. 1997: 28), as was obvious from the damage inflicted on the whole industry by the recent delinquency crises.

¹¹ At the higher levels of the hierarchy the allocation of jobs in financial organisations (with it a continuous flow of resources) is of great significance (Hulme and Mosley 1996, Vol. 1: 145)

profit (Mueller 2003: 362). Typically, the bureaucracy is assigned a utility function¹² of possessing power through access to economic resources, which enables it to carry out discretionary decisions and control the behaviours of people dependent on them in one way or another. The relationship between bureaucrats and MFIs can be tense or even hostile, as bureaucrats may object that MFIs are allocated development aid that should be distributed more in accordance with the government's (i.e., their own) objectives and priorities (Pischke, Schneider and Zander 1997: 21, Guerin and Kumar 2008: 28). This together with a lack of transparency of the bureaucratic system enables bureaucrats to exercise power over MFIs to the extent that they can practically ruin them – for example, through payments of bribes just to get through the whole apparatus, which goes on to strengthen the corruption and the power of the administrators (Pischke et al. 1997: 21; Gonzales-Vega and Graham 1995:16, see also Annim 2012).

The bureaucracy also has the incentive to hinder MFIs from establishing themselves, as MFIs render services that normally fall in the government's dominion, and hence can be regarded as rivals of the existing traditionally state owned rural agricultural financial infrastructure (Gonzales-Vega and Graham 1995: 11). The entire existence of these often highly inefficient rural state banks might be at risk when compared to more market efficient performance of the MFIs, endangering the bureaucrats system of patronage (see Michaelowa 2003: 78). With competition in the market, the privileges of bureaucrats within the rural development banks, including discretionary power opening up various opportunities for corrupt practices, may be at risk. With this incentive in mind, the state officials are anything but neutral. They may undertake actions, for example, seeking to cause damage to the MFIs' reputation by “.... *(feeding) negative stories to the media,*” in order to eliminate competition from MFIs on the market and help in promoting their own micro banking models (Banerjee and Duflo 2011: 174-178, see also Cowen 2006).

Similar to the bureaucracy, the politicians are also interested in having power, influence and a strong political image or presence. Michaelowa (2003) argues that those in power seek to preserve the status quo and continue supporting the state owned agricultural banks maintain the political balance and political returns (patronage). Within this context, there are a whole range of policy measures that the politicians have at their disposal that can simultaneously affect the success of MFIs. These include interest rate regulations, regulations for mobilizing savings, regulations for minimal wages, restrictions on imports, monetary

¹² “Utility function” is a convenient representation of an individual's preferences (for goods and services) that permits mathematical analysis. (Dictionary of Social Sciences, 2002)

policies influencing exchange rates and inflation and other, varied, measures to pep up politicians' image, like demolition of slums. Such regulations on interest rates and savings can thwart competitive market growth of MFIs and make them dependent on public subsidies. Regulations on minimum wage and imports, as well as the demolition of slums, where the poor live and work, affect MFIs indirectly by increasing the risk of credit defaults or reducing income generating possibilities of MFI clients (Ibid.). Banerjee and Duflo in their book *Poor Economics* cite evidence from India where, "...bureaucrats and politicians were keen to promote their own brand of microfinance and decided that they needed to get rid of the competition" (2011:175). Masterful efforts to accomplish that were combined with bad publicity for the MFIs in the districts to totally undermine the organizations by the government (Ibid). The next section comprises a sub-section which will elaborate on such interventions from local politicians and figures of authority within the districts and communities.

1.3.5 Microfinance uptake and hindrances in local communities

Recent literature has focussed on hindrances to microfinance services or its growth in developing and developed countries from various aspects. A number of recent studies show that favourable macroeconomic conditions like an established domestic financial systems,¹³ stable institutional and political conditions¹⁴ and suitable legal and regulatory infrastructure¹⁵ can help to enable efficient provision of MFI services; moreover, the absence of the same can seriously hamper the provision of MFI services (See Ahlin et al. 2011, Zhang et al. 2010 and Ahlin and Lin 2006).

Concomitantly, there is growing recognition that demand for microfinance and the sector's success is not shaped only by macroeconomic conditions and institutional configurations, but ever increasingly on partially interrelated factors like social institutions, cultures, norms and the *social life of microcredit* (Morvant-Roux et al. 2013; see also Fernando 2006). The term "social life of microcredit" refers to how various social actors within the MFIs' milieus engage with microcredit as an entity that becomes part of the community and lives and breathes among them and also intervenes in the natural flow of community life (Ibid: 302). Based on cultural background in a particular setting, economics and finance can carry totally different meanings and formulations instead of a universal meaning (Hann and Hart 2011, see also Shipton 2007). Yet the literature examining how

¹³ (Cull, Kunt and Morduch 2014)

¹⁴ (Muller and Uhde 2013 and Hermes and Meesters 2011)

¹⁵ (Cull et al. 2014, Saeed 2014 and Arun and Murinde 2010)

norms, institutions and ideological values can influence the demand for and the use of microcredit is scant (Morvant-Roux et al. 2013: 303). The following section will provide an overview of recent literature on the influence of norms, social institutions and cultural and ideological values on microfinance service provision and MFIs

1.3.5.1 Microfinance, social institutions, norms and ideological perceptions

Guerin, Morvant-Roux and Servet postulate that as an economic object, the role of money would be to create contractual relationships between equals (2011: 102). Yet historical, sociological, anthropological and even political analysis of monetary practices would reveal this impersonal and anonymous role as illusory (Ibid; see also Zelizer 1994, 2005 and Villarreal 2004). Access to, and use of, money and finance is subject to norms, conventions and formal rules. Hence, money and finance can be seen as social institutions, which engender a constant stress or tension between the individual and the group, between personal aspirations and collective responsibilities (Guerin et al. 2011: 102, see also Guerin 2006). This ongoing tension takes several forms as a means of relating to the group or creating interpersonal bonds of dependence and domination. Financial transactions of debt and lending are therefore regarded as a sign of being accepted in one or more social groups (Ibid: 102-103). Acceptance and membership into different social groups that range from traditionally based (family, ethnicity, caste, gender, religion) to more constructed (professional, neighbourhood and associative groupings) is constantly evolving (Ibid: 103). It therefore becomes indispensable to understand and adapt with these social settings, if MFIs are to accomplish their goals, including the monetarisation of these contemporary societies.

Given this background, it is also important to point out that the very lending mechanisms that most MFIs employ such as group lending, expect the borrowers to know one another and help a group member facing a temporary difficulty in payment. This mechanism works because the social networks of clients have an effective way of reinforcing payments through peer pressure. Fear of ostracism and loss of face within the community provides strong leverage in enforcing instalment payments for the loans (Banerjee and Duflo 2011: 167; Karim 2011: xviii; see also Ashraf 2014). As community members abide by certain norms and codes of conduct, and avoiding others that can bring shame or ostracism, they sustain social institutions and guarantee the conservation of social conventions (see Schweizer 1996).

Communities all over the world have distinctive norms and practices that serve vital functions for their members. How these communities experience and perceive microfinance

varies widely. It is crucial therefore to take into consideration the local and regional contexts with their specific norms and practices when designing microfinance programmes. Microfinance can have multiple meanings for people, which in turn determine whether they want to use microfinance and how they may use (or misuse) it (Morvant-Roux et al. 2013: 303). In Morocco, for example local perceptions deeply ingrained in historical, political and social constructs of the microcredit markets were far more important than the forces of market supply and demand to shape the sectors' market (Ibid: 310). Religious norms and cultural practices in Moroccan society is a major hindrance to borrowing (Ibid: 306). Local perceptions of being in debt equate this situation to lacking all control of your life and, as head of a household, having failed to cater to the family's material needs (Ibid: 306).¹⁶ Many religious injunctions restrain Moroccans from borrowing; for example Muslims cannot go to perform the Hajj (the holy Pilgrimage to Mecca), when in debt (Ibid).

Likewise, cultures that discourage conventional interest on loans, and systems and regimes that forbid or promote certain market forms, are generally not microfinance friendly (see Hes and Polednakova 2013 and Karim 2011; see also Iqbal and Mirakhor 2013). Microfinance thus has a very real chance of being resisted by, for example, many Muslim communities and societies where religious ideologies come into friction with MFI lending practices due to prohibitions on interest-based loans (Hassan et al. 2013). A survey by CGAP in 2007 on Islamic microfinance for example disclosed that almost three quarters of the population in Muslim countries cited religious admonitions on interest based loans as a reason for abstaining from microfinance services (Karim et al. 2008).¹⁷ Statistics compiled by another study show that around 155.5 million adults are not integrated into the microfinance market simply due to the fact that they live under Islamic (Sharia) Law,¹⁸ which bans conventional microfinance due to the practice of charging interest (Hes and Polednakova 2013: 26).

Within this realm of cultural practices, social conventions and ideology lies another interrelated factor of a more historical nature. Often a lack of a certain "culture" (for the direct and indirect services that the MFIs have to offer) can itself be an impediment to the sector's outreach and has to be addressed through vigorous advocacy programmes by the microfinance

¹⁶ Ashraf 2014 presents similar evidence for a study in Bangladesh where subjective norms and beliefs have a significant negative influence towards intention to participate in MFIs.

¹⁷ The survey comprised of information on and from over 125 institutions and interviews from experts in 19 Muslim countries (Karim et al. 2008:1)

¹⁸ Countries include Iran, Libya, Nigeria, Oman, Saudi Arabia, Sudan and Yemen.

providers (see Giesbert 2013: 4, Churchill and Matul 2012: 18 and Kalra 2010: 7-8).¹⁹ The issue at hand is that if the services that are offered by MFIs were historically not common or widely accepted within the target populations, then it will take time and investment of resources to establish a culture (of acceptance) of microfinance in the first place. It will take time to change the perception of a diverse range of new organisations offering services that either are assumed to be the responsibility of the extended family or clan, or that were totally absent and unknown before.

1.3.5.2 The social life of microfinance

MFIs targeting communities with different developmental agendas can be a “site of struggle, of competing interests, conflicting agendas and a divergent conception of the very agenda of participation: an arena in which people with different responsibilities, tasks and different constructions of reality compete for power” (see Mosse 2005: 103). The coherence and stability of microfinance service provision, like most development practice, is achieved not by management through policy, but through the creation of effective social relationships and alliances (see Ibid: 130).

The clients of MFIs may be the official target population that they concentrate on but are by far not the only ones that MFIs and their staff have to engage with on a day to day basis. MFIs have a local reputation to build or preserve, and are embedded in a range of relationships within the communities they serve, having partners, formal or informal, competitors, followers, friends but also opponents and enemies (Guerin and Kumar 2008: 33). Along with social norms and institutions, the interpersonal relationships between the MFIs and local actors, both clients and non-clients, significantly facilitate or slow down MFI operations. With each interaction the institutional environment is actualised, collaborations are reinforced and both personal and interpersonal tensions are aroused (Guerin and Kumar 2008: 33).

Recent evidence has shed light on the importance and complexity of the relationships between MFI employees and clients, and the key role that these relationships play in building trust with their clients (see Morvant-Roux et al. 2013, Guerin and Kumar 2008 and Mosse 2005). Morvant-Roux et al. (2013) observe how individual credit officers, as well as local leaders and authority figures, can significantly influence how micro-credit is represented, envisioned and understood in local Moroccan communities (Morvant-Roux et al. 2013: 303).

¹⁹ Services can range from financial services like debt, insurance, savings, remittances, financial literacy and asset investment to non-financial services like vocational services, sanitation and hygiene, clean drinking water, contraception, etc.

According to them the social integration of credit officers (i.e., whether officers originate from the area and their local knowledge) and their ability to build close social relationships with clients is the key to trustworthy lending relationships (Ibid). Such relationships instil and perpetuate a healthy reputation of the MFIs within communities, which is of utmost importance to MFIs outreach and sustainability.

MFI employees are seen to represent their organisations where relations are “...*far from being a market relation, reduced to financial transactions and isolated from personal issues (...) relations between borrowers and microfinance NGOs are....dynamic, meaningful, incessantly negotiated interactions which are fully embedded into personal relations and sentiments*”. (Guerin and Kumar 2008: 33). The empirical study depicts in detail how the positioning of MFIs in South India is a continuous struggle for control of territory and population in a viciously competitive environment. The authors argue insightfully that control is a mutual construction, where loan officers and group leaders build patron-client relationships to gain client loyalty. Support, protection and gratitude lie at the heart of these relationships (ibid: 6-7). In other contexts, however, relationships can also be hostile or indifferent. Fernando (2006) found that field officers lacked incentives to take measures against, or even to communicate in their reports, the misery and exploitation of their clients in Bangladesh, who would deposit their entire loans with local moneylenders or traders in exchange for a supply of daily rations (2006: 223). He argues that the preferences of the field officers were to maintain a high recovery rate, a mandate directed to them from the head office (Ibid).

MFI interactions constitute more than just the provision of credit to a targeted disenfranchised section of the population and tends to disturb existing social relationships that are integral to the hierarchical structured constellations of class, caste and gender relations (Taylor 2011: 485; see also Mosse 2005 and Guerin 2006). One study on an agrarian rural community in India shows how microfinance operations are vexed by credit and labour relations between MFI clients and rich landlords, merchants and moneylenders (Taylor 2011). Analyzing microfinance crisis areas in India, Taylor finds that relationships of power between different social classes, castes and gender hierarchies resulted in the proliferation of debt traps that immensely hampered MFI operations (Ibid: 501).

Furthermore, as already mentioned above, harmful competition on the one side, and the oppositional stance of local politicians and public or religious authorities on the other, have been documented to cause immense harm to MFIs in many regions (Yerramilli 2013, Banerjee and Duflo 2011, Bajaj 2011, Gonzalez 2011 and Burki 2009). Media and press

coverage of several microfinance crisis countries found extreme pressure on MFI clients to repay loans, and that this led to suicides, to disability after suicide attempts, and other negative consequences. This has not only led to government interventions, paralyzing MFI operations, but also resulted in considerable skepticism and hostility toward the entire sector (Banerjee and Duflo 2011: 176, Kumar 2012, see also Taylor 2011, Biswas 2010 and Burki 2009). Independently of the accuracy of media reports, this tarnished image of the sector, together with interventions by various actors, resulted in MFIs' work being undermined, to the extent that several countries have seen a delinquency crisis of the whole sector (see Burki 2009, Reille 2009, CGAP 2010, ACCION 2009 and Krishnaswami and Ponce 2010).

1.3.5.3 Microfinance, gender and power constellations

Microfinance is popularly hailed as a tool to empower women, help them break the chains of financial dependence and enhance their status in household decision making. Ample evidence backs the social and economic uplift of women in developing countries, even in regions with patriarchal societal structure that harbour gender-biased traditions that oppress women in their communities and homes (Devi 2014, Khan and Noreen 2012, Kristof and WuDunn 2009, Swain and Wallentin 2009 and Cheston and Kuhn 2002). It would be difficult to imagine that instruments and ideas that are believed to upend these well-established structures would face no opposition from the affected communities in general and the families of women clients in particular (see Mahoney 2014).

Cultural perceptions of women as weak and subordinate to men, and that groom women not to challenge authority, can themselves be an obstacle that needs to be overcome by potential target clients (Mahoney 2014: 41). Kristof and WuDunn (2009) present cases in South Asia where MFIs have faced a difficult time simply getting women to accept credit for economic activities, even when they are in dire need and have skills that could be leveraged, because these women were brought up believing that they have absolutely no right to make decisions in familial financial matters. The authors refer to the case of the CEO of Kashf, one of the largest MFIs in Pakistan, who acknowledged a very arduous start more than a decade ago due to hindrances rooted in patriarchal social institutions. No one wanted to rent offices in targeted villages and there was substantial bureaucratic red tape in transferring of property titles to women for loans, mainly due to restrictive gender roles within the society (Ibid). The study also identifies another very relevant obstacle to women's use of microfinance, namely the expected performance of "wifely duties" in addition to their income generating jobs (Ibid: 191). Women are expected to keep the household running in cleaning, cooking, taking care of

the children, old and the sick and seeing to all household affairs in addition to any work outside the family dwelling. This “second shift” is pervasive across cultures in developing and developed countries (Mahoney 2014:44-45). Consequently, if they fail to fulfil all the demands and expectations of their “wifely duties” in addition to their economic ones, women often face recrimination for neglecting their first and foremost priority, wasting their time in useless group meetings and hindered in opting for MFI loans (see Ginè et al. 2013)

Women who start their own micro income generating projects with microloans are challenging cultural norms of male authority in all cultures that support such norms. However, the “loans to women only” policy espoused by many MFIs is more than just a means of empowering women. There are also strategic reasons for the targeting of women (Rahmen 1999: 69). Women are seen as easier to work with due to their supposedly more submissive nature, and are considered “better credit risks” because they are “less arrogant” and “more receptive [sic]” to be cajoled into the rigid regular repayment schedules, weekly group meetings and the maintenance of group solidarity (see Rahman 1999; Isserles 2003 and Goetz and Sen Gupta 1996).²⁰ This strategic targeting of women implies that MFIs are as susceptible to patriarchal attitudes as the rest of the society, and one can question whether these actually aim to empower women. Nonetheless, this strategic targeting of women is obviously perceived by many in society as a challenge to existing norms and has often escalated into violence towards women with direct negative repercussions to MFI outreach. Rehman’s (1998, 1999) findings of an increase in domestic violence (both verbal aggression and physical assault) for more than half of the women borrowers because of their involvement with MFIs in rural Bangladesh is proof of such attitude. Rehman elaborates on how these instances of domestic violence resulted when women challenged positions of power and authority within the household by refusing to hand over their loans to male family members, or rejected male family members’ proposals for using the loans (1998, 1999; see also Hashemi et al. 1996). One can therefore expect opposition and unpleasant repercussions for women clients of MFIs from their immediate and extended families when power constellations are challenged or women resist dominance over the use of loan and or decisions resulting from the change in their income status. This opposition and intimidation has immense negative consequences for the women themselves, but also for MFIs’ outreach.

There is a great diversity in how women actually access microfinance services. In addition to personal profiles, other factors like class, caste, localisation, religion, gender,

²⁰ Isserles writes that “...in many places where microcredit programs have been implemented, the gendered environment is such that women are more easily coerced and pressured by loan officers ...that eventually result in higher repayments” (2003:49).

norms, social networks and cooperation from husbands and support from family and kinship are very important in appropriating a microfinance loan (Guerin et al. 2010: 3; see also Karim 2011, Kabeer 2001; Mayoux 2001 and Johnson 2005). Guerin et al. (2010) provide a rich analysis of the various patterns of women's credit appropriation in South India.

The study sheds light on the complexity and the diversity of female relationships within the communities and how this affects their "empowerment" and "power" within the social institutions and credit appropriation (2010:11). In societies where it is common for multiple generations to share the same household, women have to dwell with husbands kin within the same premises. With household spaces primarily seen as female spaces, Guerin et al. found everyday conflicts, rivalries and power struggles commonplace. Tensions arising around family duties, women's mobility, children and other important household decisions like resource allocation and management, inheritance and property distribution. (2010: 6). Hierarchies are rarely fixed, and are constantly negotiated along various lines such as age, kinship ties (blood versus marriage ties), the husband's position within the household and women's contribution to the household budget (Ibid: 7). The study elaborates how women's contributions to household expenses in turn depend upon the support they receive from their own kin, and the relative importance of this support compared to the husband's kin (Ibid). Likewise within the neighbourhood context, relationships were observed to evolve and persist, ripe with a whole mix of solidarity, mutual help and support on the one hand and hierarchy concerns, jealousies, conflicts, denunciation, threats, blackmail and connivance on the other hand (Ibid, see also Maclean 2010). Thus for the women in these communities, and for many other communities, solidarity and cooperation within these social networks are instrumental in helping women to manage their household finances.²¹ One important conclusion of the study is that microfinance may actually worsen and deepen the divisions in pre-existing gender hierarchies, and also generate new inequalities between women (Ibid: 15).

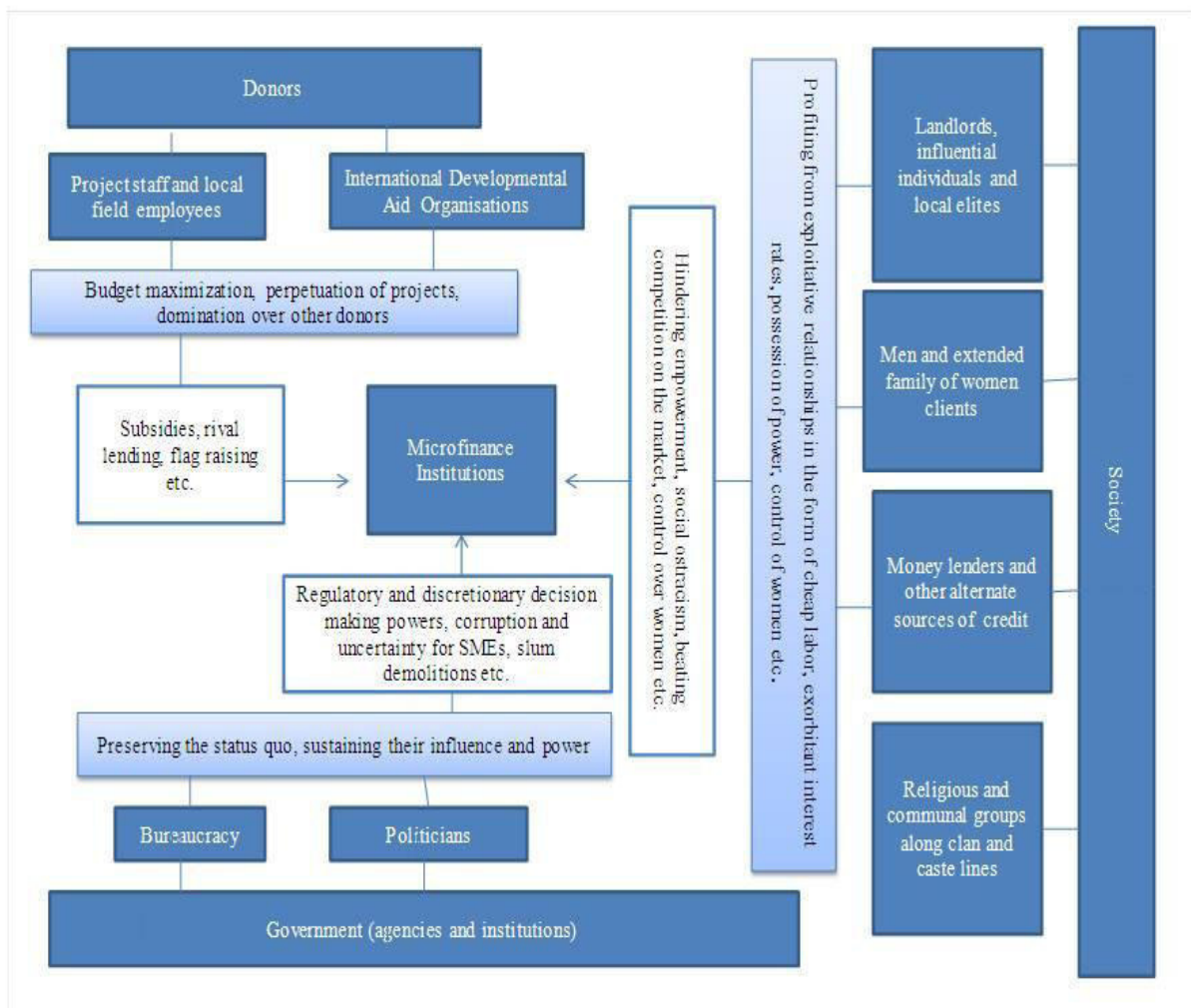
In sum, many empirical studies have already highlighted the impact and effect on MFIs of stakeholders within their operational spheres. However, most are anecdotal, and each covers only a certain component or a particular aspect of these complex environments. In contrast, this thesis attempts to bring together the various aspects of social, cultural and economic interactions relevant to the impact and effectiveness of microfinance.

Figure 1 presents an illustration of the operational spheres of MFIs, representing various interest groups, their general preferences and their influence on the MFIs' success.

²¹ The authors also include microfinance appropriation within their conception of household finance management.

Though by no means complete, the illustration aims to draw out the most important actors and stakeholders in the socio-economic and political spheres of MFIs, with reference to the literature discussed in this chapter. As mentioned, the analysis aims to focus on stakeholders at the local level, which predominantly rests on the right hand side of the illustration, (i.e., stakeholders from the category “society”), but will also comprise stakeholders from other categories where they are part of the communal life in the operational spheres. The illustration will be further elaborated with specific details of the actors on the local level and their respective preferences in Chapter 2.

Figure 1 – The Political and Socio-economic Environment of MFIs ²²



1.4 Research questions and how they are addressed

In sum, there is little comprehensive analysis of whether, to what extent, and under which conditions the social life of MFI clients has an effect on MFI outreach and sustainability. The introduction already outlined the main research questions. Having now reviewed the literature regarding these questions I now restate them here with more detail and elaborate how they are addressed. The first three questions that this thesis addresses are:

1. *Is the fear of persecution/ stigma or sanctions from the communal actors/groups or individuals keeping potential MFI clients at bay from MFI membership?*

²² Adapted from a preliminary illustration by Michaelowa (2003: 80)

2. *Do interventions from various local actors within the working areas of MFI affect the MFIs' operations?*
3. *Is the opposition to MFIs at domestic level from male guardian and family, a deterrent for women who want to opt for MFI membership?*

This thesis answers these questions with reference to the preferences behind such interventions/ persecution or sanctions of the intervening party. The identification of the interveners or actors within the operational spheres of MFIs will be discussed at length in Chapter 2, which presents the theoretical framework. For the theoretical framework I will draw from the literature on the political economy of social institutions and rational choice approaches. I mostly rely on the bargaining framework presented by Knight and Ensminger (1998) to explain the emergence and change of social norms norms that have distributional consequences for the actors involved.

Questions 1-3 addressed in Chapters 4 and 5. Using household survey data and interviews with MFI staff and moneylenders in the states of Uttar Pradesh and Bihar in the north of India and from four different districts of the north eastern Province of Punjab in Pakistan respectively, a mix of qualitative and quantitative methods are applied to investigate the households' decisions for the uptake of an MFI loan. For the survey, 55 households in each of the two countries were selected and interviews with the help of detailed semi-structured questionnaires were conducted. For the data generation, there were several sources of informants as interviewees. The first two sets of interviews were conducted with women participants from among the clients of MFIs and also non-borrower households from the same neighbourhoods. In addition to each woman (client and non-client) who was interviewed, their male household guardian or head of household was also interviewed, making up for the third and fourth set of interviews. Furthermore, MFI staff and senior executive members of the MFIs were also interviewed, making up the fifth and sixth set of interviews. Lastly, local moneylenders made up the seventh and last set of interviewees for the survey. Chapter 3 on the methodological framework will deal with all issues of sampling, country selection, MFI partners within the countries and a detail of all questionnaires.

The analysis takes a more descriptive approach by taking into account factors such as the social affiliations, networks and perceptions of class, caste and gender relations and how important these are in the lives of the participants of the survey. Apart from adding knowledge on how social spheres affect MFI operations, the thesis also interrogates how decisions relate back to intra-household dynamics. The analysis takes into account the

familial support and the cooperation of the male head of the household for a membership with a MFI.

In chapter 6, I compare the findings from both countries and analyse the following three questions:

4. *How do women clients of the MFI in India differ from the women clients of the MFI in Pakistan?*
5. *Do MFI institutions and their clients face the same set of problems or difficulties from within the social and communal milieus in different set ups or countries?*
6. *Do MFI clients communal, social and domestic circles have the same (or different) effect on their decision making process of opting for a microfinance loan or not?*

The chapter will review the results of the surveys in both countries, with a focus on the similarities and differences of the social life of MFIs and the communities.

Chapter 7 will provide a summary and the most important conclusions for the dissertation.

2 Theoretical framework and expectations

MFIs do not operate in isolation. With microfinance's evolution from the informal sector into a more mainstream financial services sector, the wider operational environment of MFIs has become more important. MFIs move and operate within a socio-economic and political system, with various tiers and levels of collaborators and networks. Within this socio-economic and political framework of microfinance, a variety of actors at the international, national and local level of governing bodies and agents represent various interest groups. These (groups of) actors have a kaleidoscope of preferences that they pursue in their dealings and interactions with the MFIs. For my analysis, I will focus on the interactions of MFIs with actors within their local milieus. The analysis of the preferences and incentives of the actors therefore are on a micro level, and this analysis does not account for a macro level study of state or multilateral organisations and their representatives here.

In this chapter, I will provide a theoretical framework for the analysis of the incentives or preferences of the key stakeholder groups and actors that have an impact on the operations of MFIs within their political and socio-economic environments. The aim is to explore the determinants of success of MFIs in terms of outreach based on the external societal and political economic framework. No single unified body of thought or theoretical approach can encompass all the incentives or preferences of all the actors and groups that could possibly be in conflict with or affect the operations of MFIs. Rather, I draw on a number of theoretical strands, mainly from the institutional and rational choice literature, to inform my analysis of actors' behaviour within the socio-economic and political frameworks of MFIs. The most important work that I draw on for inspiration, especially in section 2.2, is that of Knight and Enslinger (1998). Their paper on the bargaining framework for the emergence and change of social norms that have distributional consequences for the actors involved fits the line of argumentation and theoretical expectations for my work quite well.

Below, I categorise the individual actors and groups within communities, and discuss how their incentives and preferences can lead to them helping or hindering the operations of MFIs. First, however, I elaborate on some central theoretical concepts. I will construct a framework to help understand actors' incentive structures and the patterns of interactions that can affect MFI outreach and sustainability.

2.1 The new institutionalism and rational choice

The new institutionalism incorporates a number of theoretical approaches that deal with the analysis of the relationship between individual action and institutional frameworks (Finke 2004: 3).¹ Although the roots of new institutionalism lie in economics, advances in interdisciplinary research directed at understanding and explaining institutions and human interaction has seen its application in political science, anthropology and sociology (Finke 2004 and Nee 1998).² The new institutionalism in political science has stressed formal norms and their monitoring by third-party enforcers and the state (Nee 1998: 2). Before discussing these deeply contextual norms and the role of these third-party enforcers, I define and clarify some of the basic concepts that I will use throughout this work.

2.1.1 Institutions and Organisations

At the core of new institutionalism is the study of institutions, defined as “... the rules of the game in a society ... the humanly devised constraints that shape human interaction.... they structure incentives in human exchanges, whether political, social or economic” (North 1990: 3). Institutions reduce human uncertainty in human relations and specify limits of acceptable action, in the way that the rules of a game specify the structure within which the players are free to pursue their strategic moves using pieces that have specific roles and status positions (Nee 1998: 8). Institutions comprise everyday norms of expected behaviour embodying the interests and preferences of a group or a community, family and kin; they also encompass complex economic, social and political institutions like markets, authorities and legal systems. (Finke 2004: 4; and Nee 1998: 8). Institutions thus incorporate not only sets of regulations and norms, but also their enforcement and sanctioning of the individual actors in case of breach or violation of these (Finke 2004: 4). Institutions can be both formal and informal, with the latter understood as non-codified institutions that are nevertheless acknowledged as binding, with a set of non-codified sanctions in case of breach or violation (Finke 2004: 4). Family members, relatives, friends and acquaintances monitor informal norms, while the state formally monitors the legal rules (Nee 1998: 8, see also Knight 1992: 171). It is important to note here that for the analyses to follow social groups will be regarded as institutional frameworks because, apart from being groups of individuals, they also

¹ For the theoretical section, I will mainly adopt the structure and order of concepts applied by Finke (2004) in his first chapter on theory. I will adapt and incorporate relevant concepts from other sources when necessary.

² For a detailed overview of works on new institutionalism see March and Olsen (1983), Hechter et. al. (1990) and Powell and DiMaggio (2012); for the sources of new institutionalism Nee (1998); and for institutional theory in political science Knight (1992) and Peter (2011).

constitute a set of guidelines for proper behaviour both within and outside their boundaries (cf. Finke 2014).

A second central concept in the new institutionalism is that of organisation (Finke 2004: 4). In his book *Institutions and social conflict*, Knight (1992) defines organisations as collective actors subject to institutional constraints, with an internal structure and an institutional framework governing the interactions of those persons who constitute the organisation (1992: 3). Various entities, such as a university, a church, a trade union or a firm, can be conceptualised as both institutions and organisations (Ibid; see also Finke 2004: 4). These organisations act collectively for furthering the common interests of their members and the members are motivated not only by economic incentives, but also by social incentives, like a desire to win prestige or respect and to contribute to the advancement of the groups' interests (see Olson 1965: 60).

2.1.2 Social norms, preferences and conflict

From a behavioural point of view, social institutions are arenas where expectations regarding human interactions are established and social relations are maintained. Since social norms are the foundation of social life, they govern the expectations and relationships that lay the basis of how individuals act in their everyday lives (Knight and Ensminger 1998: 105). Norms are implicit or explicit rules of expected behaviour that embody the interests and preferences of members of a close-knit group or a community (Nee 1998: 8). Norms establish the structures for social interactions, allowing the participants of social institutions to gain the benefit of joint activity by determining ways for the distribution of the benefits of social life (Knight and Ensminger 1998: 105 and Knight 1992: 22). Norms are the property of a social system, are collectively maintained and members of the group share the benefits gained by conforming. From this perspective, norms can be understood as a form of social capital or a collective good (Nee 1998: 8, Coleman 1990: 310).³

Norms affect social behaviour and social institutions affect the distribution of benefits from the numerous interactions that constitute social life. Although there is considerable variation across societies and communities at one particular time regarding the gains from these institutions, the distributional consequences for all the actors involved are very

³ The essence of *social capital* in this context can best be captured by Ostrom who defines it as "... shared knowledge, understandings, norms, rules and expectations about patterns of interactions that groups of individuals bring to a recurrent activity" (2001: 176). The individuals who are part of this network would then derive benefits from these norms (Nee 1998: 9).

important (Knight 1992: 40).⁴ This implies that the institutions are a by-product of substantive conflicts over the distributions inherent in social outcomes. In simple words, the main goal of those who develop the institutional rules is to gain strategic advantage over other actors, and the essential content of those rules generally reflects distributional concerns (Ibid.). The rational choice theorists have produced a number of accounts of the evolution of social norms (Knight and Ensinger 1998: 105). Now each starts from the premise that social actors pursue some set of preferences in a rational way – seeking to achieve their most preferred outcome under certain constraints (Ibid: 106, see also Finke 2000: 5-8).⁵

The challenge arises when one directs attention to the factors that influence the capacities of the actors (to determine the substantive content of institutional rules, introducing the asymmetries of power in the community (Knight 1992: 41). There are rarely ever institutions, formal or informal, where all participants are on an equal footing, and therefore power positions matter. Knight suggests the following working definition of power: “*To exercise power over someone or some group is to affect by some means the alternatives available to that person or group*” (Ibid.). Possession of influence and power in institutions is often a strong incentive for groups and for individual actors, as it is power that decides the benefits or advantages that they might gain in various forms – the distributional consequences for the other actors involved. Knight and Ensinger (1998) provide explanations of human behaviour grounded in rational decision-making that go beyond a narrow focus on economic interests, incorporating power asymmetries, distributional consequences and ideological motivations. They present a bargaining framework to analyse social conflict of preferences, which I will discuss in detail in Section 2.2. For my analysis, I rely primarily on their theoretical assumptions in explaining the incentives behind the behaviour of social actors within the operational spheres of MFIs.

2.1.3 Norm Compliance

One view of why individuals adhere to norms is that norms are rules that structure strategic behaviour. Individuals comply because it is in their self-interest to do so (Coleman 1990). From a different perspective, Bourdieu (1977) explains norm compliance as the appropriate form of behaviour in a specific context even when it is not in the narrow self-interest of the individual to do so. The two views can be reconciled if acting according to the

⁴ Distributional consequences here are not to be understood in economic terms only; they also encompass other collective benefits/ elements that the institutions might have to offer.

⁵ This rests on the principle of action that defines rationality as “maximisation of utility”, that is, that the agent who carries out an action seeks to realise maximum value possible with the least cost or effort (see Coleman 1990: 510).

dictates of a rule is a means of simplifying decision making or a way to give in to social pressure that may be indirectly beneficial for the individual (Knight 1992: 15 and Knight and Ensminger 1998: 105). I share with both perspectives the basic view that norms structure social interactions that promote the benefits of cooperative behaviour. The idea of rationality for complying with norms here assumes a “thick” rather than a “thin” view of rationality (compare Coleman 1990: 511 and Simon 1957: xxiv). According to this perception of rationality,

“...actors are seen to *meliorise* rather than maximise, the action of individuals is assumed to be purposive in the sense that self-interest and incentives matter. In thick accounts of rationality, understanding purposive action necessitates interpreting the choices made by actors according to benefits and costs embedded in the institutional environment. The cultural heritage of a society is also important because customs, myths, and ideology matter in understanding the mental models of actors” (Nee 1998: 10).

This thick view of rationality explicitly takes into account that individuals do not have complete information about what is best for them under all circumstances, and thus depend on myths, dogmas, prejudices, ideologies and cultural ideas. Such individuals rely on a variety of short cuts to arrive at decisions. Examples abound of cultural beliefs, group identification and symbolic expression shaping and incentivising certain acts of individuals or groups, even when these are not necessarily the most preferred outcome for an optimum cost. From female genital mutilation in many countries like Somalia or Egypt or ethnic conflict in Jerusalem, they can only be understood by examining the dogmas, cultural beliefs or collective identities of the participants involved (see Nee 1998). For this analysis, I employ rational choice theory in the broadest possible sense, “thick” as opposed to “thin” rationality.

2.2 Interactions as bargaining problem

Knight and Ensminger present a bargaining framework of social conflict where all actors have differing conceptions of social norms, and consequently negotiate on the form that these should take (1998: 105). Within this framework, each actor will prefer that this norm favour his/her preferences, and will bargain to try to achieve this. Knight and Ensminger distinguish between norms governing economic and non-economic behaviour: while bargaining over norms governing economic behaviour is a conflict of actors’ material

interests, bargaining over norms that govern non-economic behaviour is driven by non-material or ideological preferences, and any benefits gained are non-material in nature. Nonetheless conflicts of interest are just as likely to occur over ideologically motivated norm changes as over materially motivated ones. They argue that ideology is compatible with a bargaining approach and that bargaining power has an important role to play in instances of ideologically motivated change (Ibid: 106).

Knight and Ensminger define bargaining power as *superiority in resource endowments* (Ibid)⁶. According to their interpretation, actors with greater bargaining power will be most likely to have the norms established that would also manifest their interests. Several factors result in power asymmetries among actors that allow some actors or groups to enforce their preferred norms at the expense of others' preferences. Such factors include, for example, the initial endowment in terms of status, or access to methods of enforcement to deploy against actors who breach or do not conform to the dominant actors' norms. In social institutions, where enforcement power does not lie with a central formal authority like the state, rewards and sanctions may be enforced through clans or kinship networks (Ibid.).

Primarily, the bargaining approach sees the establishment of norms as an on-going negotiation process among actors embedded in social institutions, who compete over distributional advantage in accessing essential benefits.⁷ Actors always seek strategic advantage over the outcome of bargaining processes and norm change, and norm establishment is just a means to achieve this strategic advantage (Ibid: 107). Under the bargaining approach, social norms are a by-product of the process of competition for essential benefits. It is through this bargaining process that certain factors like initial resource ownership or status eventually influence the choice of social norms. Unequal resource ownership influences the willingness of rational self-interested actors to accept the bargaining demands of other actors. In other words, actors who own or possess substantial resources have more to say, and an upper hand in bargaining with those who do not. The establishment of social norms therefore, strongly depends on ex-ante resource asymmetries.

According to Knight and Ensminger, “... *norms structure social situations that are characterized by the existence of multiple equilibria; that is, there is more than one way of coordinating our behaviour in a particular setting, but we need to establish shared expectations as to which of these ways we will actually choose*” (Ibid). Actors can therefore

⁶ Asymmetries in resource ownership serve as a proxy for bargaining power (Ensminger and Knight 1997: 6 and Knight and Ensminger 1998: 106).

⁷ The process of norm generation is relevant in the bargaining approach as it shows the ability of those who seek to change norms to enforce compliance with the new norm. Hence the focus is as much on norm change as it is on compliance, especially when existing norms are challenged (cf. Knight and Ensminger 1997 and 1998)

differ in their preferences of the course of action that they adopt in social situations, and whether these preferences will be taken up in the establishment or changing of norms depends upon their negotiating and bargaining power. During the bargaining process, it is very important to assess the credibility of claims made by actors about their commitments to various forms of behaviour (Ibid.). Of much relevance is the fact that the bargaining model encompasses a wide range of interactions, from formal negotiations of the whole community to implicit strategic behaviour that converges over time to form a behavioural norm. Common to all of these social interactions are features of multiple equilibria, conflict in preferences over the range of possible norms of behaviour and asymmetries in the possession of relevant resources (Ibid: 108).

Negotiating over social norms would be simple if every actor in a social institution had perfect knowledge of how other actors would assess the costs and benefits of commitment to a certain course of behaviour among many alternatives. What everyone can do with relative ease is assess to what extent their own preferred behaviour is shared by others in the community. This allows them to calculate the relative benefits of sticking to their own approach versus adopting an alternative way of behaviour. The establishment of a norm then takes place as members making this assessment adjust their own actions to the form of behaviour upon which most of the community converged (Ibid.). Certain features of social life complicate this bargaining process and deserve particular attention.

One such feature is ideology and cultural identity. Ideological and cultural beliefs affect not only how people assess the merits of various forms of behaviour, but also how people position themselves in their social world in relation to others (cf. Finke 2014). These ideological and cultural beliefs influence people's assessments of an action's optimal consequences for themselves and their communities. This complicates the bargaining process of norm establishment and norm change, as it involves the willingness of the powerful and the powerless to both maintain existing commitments and accept proposals for change (Knight and Ensminger 1998: 108).

The second factor, according to Knight and Ensminger is the complexity and diversity of enforcement mechanisms, which affect the cost of maintaining commitments to various forms of behaviour. Social sanctions are one very effective mechanism for enforcing conformity of behaviour and commitment to social norms. When confronted with the choice of different forms of behaviour, people must take into account the (financial and social) cost of a particular course of action and the cost of alternative ways of behaviour. The task of assessing this cost is especially crucial when individuals must choose a path of norm

compliance versus norm change. There are certain enforcement costs involved for “reformers” of social norms who share an interest in changing established patterns of behaviour and expectations. In addition to the costs created by the guardians or enforcers of norm compliance, there are also other enforcement costs imposed from cooperating reformers. Reformers who seek to change social norms have common interests and cooperate to bring about change. In so doing, they establish their own sanctioning mechanisms to ensure that group members abide by their commitments to new norms and forms of behaviour. The success of reform efforts depends mainly on reformers’ ability to establish and maintain alternative enforcement mechanisms (Ibid).

A third factor lies in the problem of collective action, which can complicate the bargaining process. In situations where everyone would benefit from achieving a particular goal through joint activity, the temptation is high to let the others do the work (Finke 2014: 14). When goals have the character of public goods, it is difficult to exclude “free riders”, who have not participated in its supply, from the resulting benefits (Ibid). Quite often, it can result in the breakdown or failure of collective action and the public good it was supposed to create (Ibid).

A fourth and closely related factor is opportunistic behaviour by individuals, which can trust and reliance issues among group members. Those seeking to reform or change existing norms may be plagued by the opportunistic behaviour of their affiliates. Thus, loyalties can switch in a given situation when the affiliate finds it more advantageous not to adhere to new norms. Effective enforcement strategies would have to account for such risks linked to trust and reliance issues.

Having touched on the conflicting interests and the influence of bargaining powers of the actors within social institutions, I will now explicitly apply this framework to the actors within the socio-economic and political milieus of microfinance providers. This framework can allow us to understand the common economic, social or political incentives of the actors to intervene in MFI operations in the next section. Before doing so, I set the stage by presenting the general milieu in which microfinance programs and their replication programs all over the world operate.

2.3 The socio-political milieus

This section will illustrate the motivation behind the common economic, social or political preferences of the actors that form the socio-economic and political peripheries of MFIs. MFIs vary in size and operations (see Appendix 1 for more differentiated types of

MFIs). Some are large national programs, including government and private-sector collaborators, aiming to provide financial services to populations outside the mainstream banking system and to support their small businesses and micro-enterprises. Another group of MFIs are indigenous local- or state-level institutions, which have the goal of providing better access to financial services for the poor. Yet another segment seeks to replicate the programs of more established, successful and bigger MFIs like the Grameen of Bangladesh or ACCION, which operates in Latin America. All MFIs, regardless of the scale of their operations, have to work in close proximity to their local clientele. Due to their lending mechanisms and the nature of their work, which requires vigilant screening and monitoring activities, local integration and blending within the local communities is a definite must for successful operations. Why is this local integration and knowledge of the community important? Which actors within these social milieus that can affect MFI operation? How and why can these actors have an impact on the operations of MFIs? What are their stakes within this whole set up? This section will seek to answer such questions and help shed some light on the complex and intricate socio-economic and political environment of MFIs.

For the MFIs where regular collections and client monitoring is part of their daily operations, their presence within the communities and client households is necessary. The presence of MFIs and their employees can, however, arouse attention and lead to questions or interventions at some point by these actors. These actors have to now be singled out and their stakes in the operations of MFIs be analysed. For the sections to follow, it is important to note that expectations regarding the individual behaviours of actors are contextual. Most of the expectations within the bargaining framework are therefore induced from several theoretical sources with a very different context. Formulations for the analysis of the actors' preferences in this chapter in general are presented as expectations when no relevant theoretical source is quoted which exactly matches the context.

2.3.1 External agents and their preferences

Different actors' incentives to intervene and interact with MFIs vary in nature and intensity. I now introduce the various categories of communal groups and actors within the operational spheres of MFIs and their clients, which I refer to throughout. These actors can be roughly categorised as follows: *competitors of MFIs (including moneylenders) and influential elites, local politicians and public officials, others socio-economic groups with vested interests, religious and communal groups, men or male guardians of women clients (of MFIs), immediate and extended families of women clients (of MFIs) and the neighbours and peers*

within communities. After a brief general discussion of these categories, the remaining sections discuss the composition of each category and their respective preferences.

I posit that most incentives are the skilfully camouflaged preferences of the various actors that can affect the MFIs operations. By preferences of the actors, I mean any explicit or implicit interests as an individual, a group, an organisation or as an apparatus of the state system interacting directly or indirectly with the MFI or its clients. These preferences are often less distinct and can be roughly identified as the desire to obtain or consolidate power or a favourable position in order to gain bargaining advantage over others. This upper hand renders them distributional benefits in various forms. By skilfully camouflaging personal preferences, I refer to the tendency of actors to disguise their preferences to increase their power and bargaining advantage with appeals to religion, tradition or communal well-being. In doing so, these actors draw the communal gaze away from seeing that the actors benefit disproportionately from their collective efforts of promoting or shunning particular MFI initiatives. The 2008/9 delinquency crisis of the microfinance sector in Pakistan (discussed below), saw politicians and their supporters (among others) causing much havoc for MFIs by supporting delinquent clients for political advantage. Such manoeuvrings may greatly hamper the sustainability of MFI services in communities. Likewise, religious leaders and clerics usually amass support for their version of ideology in matters of communal guidance, presumably in the name of propagating “the word of God” as provided in the holy religious scriptures. Regardless of whether scripture actually supports their interpretation of the issue at hand, clerics benefit disproportionately in such exchanges. By staking out positions relative to MFIs, religious leaders further their brand of ideological interpretation and may win support within communities over personal and ideological rivals. The following sections will help throw light on the categories of actors, their preferences and the way that they use specific resources at their disposal to exert pressure on other actors and to influence the bargaining process.

2.3.1.1 Competitors of MFIs and influential elites

Amongst the groups that may affect the operations of MFIs in their target markets are competitors like other MFIs, some banks with microfinance arms and moneylenders of all sorts. Competing MFIs and others on the market like the moneylenders – ranging from formal commercial moneylenders to rich landlords who engage in lending on the side – have a stake in the success or failure of MFIs.

In agrarian societies, rich landlords wield considerable influence, and often have their lands tilled and maintained by hired labour. These landlords often lend to local populations in times of financial crunch, usually in return for cheap labour on their lands. MFIs offer an alternative source of finance to the poor, providing them the opportunity to escape what can in extreme cases amount to bonded labour on the fields of feudal lords or other activities undertaken in humiliating conditions (cf. Baloch 2013, Hashemi and Schuler 1997: 16). These influential landlords may want to protect their preference to wield authority and power over local populations, and to continue to benefit from these populations' vulnerable position. Thus, landlords may seek in turn to ensure that the practice of relying on landlords when in need is maintained, and may oppose any other sources of lending to MFIs' target communities (cf. Ilyas 2015). They may draw on the resources of social status and family standing to influence the local community's opinions against the MFIs. Hulme and Mosely (1996: 163) report antagonism and clashes between MFIs and local elites, landlords and other groups in Bangladesh due to such conflicting preferences.

Commercial moneylenders also serve a clientele who are typically in dire need of credit for non-economic activities.⁸ For moneylenders, lending to the poor can be an extremely risky investment as there is no collateral, no expected regular income in the future on the loan to pay back in instalments or payment in the form of labour. They therefore usually charge very high interest rates, much higher than the MFIs. In addition, their reputation for unconventional means of recovering loans usually makes them unpopular, and they are seen as best avoided.⁹ Nonetheless, these moneylenders have a larger client base when the local population lacks access to MFIs, enjoying less competition and the ability to dictate terms to borrowers. Although the interest rates on the loans remain unaffected, the alternative sources of credit on the market may hurt their client base. In addition, microfinance clients sometimes develop their own channels of lending from MFIs and then giving out these loans on higher interest rates to others in need.¹⁰ In doing so, they may harm the client base of moneylenders. Moneylenders therefore, may prefer to hinder any kind of positive advocacy for MFI operations in their localities. For this purpose, they can employ a number of tactics, ranging

⁸ One can argue that the MFIs and the moneylenders or landlords serve a different clientele, where the former lends to the economically active poor and the latter for consumption or non-economic activities. Nonetheless, the stronghold of the landlords and the client count of the moneylenders would still suffer when there are alternative sources of credit on the market, regardless of the purpose for which credit is sought.

⁹ People living in close-knit communities usually fear the "loss of face" or honour more than any other social sanction. Moneylenders in duress will make use of all means at their disposal, including character assassination within the community, to recover their loans.

¹⁰ Instead of investing in a so-called productive activity or covering a family expense, studies have found that some clients use microcredit for money lending (Guerin et al. 2011:112; see also Perry 2002).

from negative propaganda to more coercive or threatening measures, such as blacklisting clientele from all future loans. The threat of being shunned by the moneylender can serve as a deterrent to affiliations with an MFI for the local poor, who have limited sources of capital when in dire need and may fear being shut out entirely.

Likewise, in the competition for the same clientele, aggressive or unethical practices by fellow MFIs, their employees and moneylenders are by no means unheard of. In an industry like microfinance, where the sector has witnessed uncontrolled rapid growth and concentrated market competition¹¹ in many regions, providers are bound to compete hard for market share. Multiple sources of lending on the market may lead to an oversupply of credit, enabling multiple borrowing on the borrowers' side and leading to over-indebtedness (cf. Schicks 2013: 171; see also Hudon 2011: 129 and Burki 2009). This disrupts the quality of operations due to superficial screening processes that encourage taking on high-risk clients as the MFIs grow. Unethical practices by the providers or their employees, such as forced loans (loans that are not needed, but rather taken out as the result of aggressive marketing or pressure), coercive collections, and intimidation or physical harm to their own and other MFIs' clients, may be on the rise in areas that are saturated with providers (see Shylender 2006, Chen et al. 2010, Microfinance Focus 2011 and Luetzenkirchen 2012). Improper regulatory infrastructure and unhealthy rivalry from fellow MFIs not only hamper the operations of successful MFIs, but can damage the entire industry, as was the case in Pakistan, as well as other countries like India and Bosnia and Herzegovina.¹² In all these countries, concentrated market competition and lack of proper legal checks on the sectors business practices led to a market meltdown in micro-lending services.

Obviously, MFIs and moneylenders seek to advance their preference for having the upper hand or an advantageous position over rival MFIs. All actors within this group of lenders possess certain resources to varying degrees. These actors can undertake actions that range from sabotaging their rivals' operations to intimidating potential MFI clients within a community.¹³ Such interventions may hamper the ability of MFIs to do their work, particularly in terms of conducting outreach. The influence of the actors discussed above can be a possible cause of tension for the MFIs and their clients, who can be regarded as reformers of the norms of credit relations within the bargaining framework. Here the

¹¹ I do not seek to argue against competition, but against unethical market practices like espionage, and uncontrolled growth and concentrated market competition, where some geographical sectors have an over-supply of microfinance products while others lack these services all together.

¹² See Burki (2009) for a case study on Pakistan, Shylendra (2006) for India and Luetzenkirchen and Wiestroffer (2012) for Bosnia and Herzegovina

¹³ Acts of operational sabotage can be anything ranging from negative public relations activities to dissuasion of clients from paying back loans to a competing MFI.

community (including communal gathering spaces) is the social institution of which they are all a part. In the schema presented here, their interactions and the use of their respective resources for their actions and efforts are effectively negotiations for power and influence over a financial service market.

2.3.1.2 *Local politicians and public officials*

Local politicians or other influential personalities (like government officials, bureaucrats, and technocrats), together with their supporters, represent another group that might interfere with MFI operations for personal or professional gain. Their key preference to wield power for political, professional or personal advantage may come into conflict with MFI operations. Politicians and bureaucrats seek positions of power with the status that accrues to a representative of the people or a high-ranking government official.¹⁴ The most sought-after positions of power are commonly associated with access to certain resources, such as discretionary decision-making power or state resources, which in turn allow office holders to obtain further resource allocation benefits. Ambiguous constitutional provisions and lack of transparency and accountability in many developing countries usually gives these office bearers considerable room for arbitrary decision making and the pursuit of their own preferences (cf. Michaelowa 2003: 77-78).

For MFIs and their clients, mostly micro- and small enterprises in the informal sector, any interaction or reliance on bureaucrats and politicians for services can prove onerous. Arbitrary decisions from these office bearers regarding tax payments or regulatory compliance for various permits (construction, environmental, operations etc.) can ruin an otherwise profitable business (Ibid: 78). However, public officials may also be supportive of the MFIs' agendas of poverty reduction. Local government officials may also support MFIs due to their grassroots approach and focus on local low-income populations that seldom benefit from large-scale national programs that are badly executed. Local government officials may genuinely be interested in the development of the vicinities under their jurisdictions, as these officials stand to gain respect and appreciation for service delivery to local communities. In these cases, public officials' supportive stance can be extremely beneficial to MFIs and their clients in official matters that need endorsement from the state authorities.

¹⁴ In a democracy the public representative is elected by the people and has a public mandate. In authoritarian regimes, might be installed by the higher political or military authorities with a mandate dictated by the regime. Further references to politicians in this chapter will treat them as elected representatives of the people.

MFIs must also contend with the fact that the government bureaucracy is often aligned, directly or indirectly, with the existing rural agricultural state-owned banks whose services overlap with those of MFIs. Within these state owned financial structures, most of which operate highly inefficiently, public officials possess an influential status. Inefficient rural banks may see the comparatively more efficient and competitive MFIs as an existential threat, and act to counter this (Ibid: 78). For example, the discretionary leeway that most state officials enjoy in authorising loans and collections makes them prone to misuse their official authority. The result is then discrimination against debtors on the grounds of expected personal economic or political returns, harming the operational efficiency of the banks (Ibid, see also Pischke et.al 1997: 21 and Gonzales-Vega and Graham 1995: 16). When MFIs threaten these prerogatives, they may earn ill will from such (groups of) individuals.

There is always the possibility that local politicians, political parties and state officials cooperate to further each other's causes or preferences (Banerjee and Duflo 2011: 175). Local politicians are normally influential personalities with considerable clout within their communities and public spheres. Being the representatives of their communities in all political institutions, the local population expects the local leaders to ensure the communities' well-being if they are to continue being elected. In the name of serving the community, local politicians can and do make use of opportunities to exploit critical or difficult situations of the MFIs to their benefit where they can (Banerjee and Duflo 2011 and Cowen 2006). For example, local politicians and officials have been observed to directly encourage MFI clients to stop repayments of their loan instalments, as politicians or officials may see an opportunity to gain political or professional leverage in supporting defaulting clients (Yerramilli 2013: 213, Luetzenkirchen and Weistroffer 2012: 11; see also Burki 2009). This was the case in the Indian state of Andhra Pradesh where, *"Intense conflict between political parties and their struggle to gain votes through clientelism contributed to a politically tense environment. By providing a service that overlapped with those extended by the government, MFIs interfered with political parties strategies to establish power and thus served as scapegoats to further each players ulterior agenda"* (Yerramilli 2013: 192).

However, the case of Andhra Pradesh is not a one-off episode and there are other examples of such detrimental interferences on behalf of local politicians/ officials or their supporters. The 2008-9 microfinance sector crises in Pakistan (see Burki 2009) and the "No Pago Movement" (a movement for non-repayment of loans) in Nicaragua in 2008 (see Minchew 2011) are other politically motivated local interventions negatively affecting

MFIs.¹⁵ These interventions took place solely because local politicians expected to gain the sympathies of local communities by supporting large scale MFI defaulters at the cost of MFI operations. Such interventions above all affect the sustainability of MFIs, hindering operations and hampering the enforcement of loan repayments. Moreover the clientele (both current and potential) in the operational areas where such interventions occur may be less likely to take MFIs seriously in the future.

As in the case of public officials, when local politicians assume a more cooperative stance toward MFIs, this can leave the financial service providers better off. For example, resourceful local political leaders can use their influence to work with the community and the MFIs to help settle disputes or arbitrate conflict situations. A more supportive and cooperative stance of local politicians and leaders might not have a measurable positive influence towards everyday MFI operations, but it can keep a crisis from getting out of hand, as was the case in many of the sector's delinquency crisis countries.

2.3.1.3 Others socio-economic groups with vested interests

Since most MFIs target women as their clientele, this gender based targeting alone can bring along a myriad of groups with conflicting preferences, where power relationships and hierarchy within communal life are disrupted. Michaelowa (2003) rightfully argues that because MFIs target the poor and mostly women, they pose a direct threat to the interests of many groups, such as *wealthy landlords, local influential elites, religious groups or conservative men within local communities*, that generally oppose women's empowerment.¹⁶ The men (*husband, fathers, brothers etc.*) and the families of women clients, their neighbours and peers within the communities to this list. Many men among these groups, like the wealthy landlords and the elites benefit from the vulnerability of women in the form of cheap labour on their land or as domestic help as long as they lack other sources of income or financial support.¹⁷ Still others simply want to exert their authority over women, which they perceive to be their right. For example, in many patriarchal societies, women are considered to be the

¹⁵ See also Bajaj 2011, Gonzalez 2011 and Krishnaswami and Ponce 2010.

¹⁶ In addition to the actors that are mentioned under this category, actors from previous categories like wealthy landlords or influential elites be placed in this category, as most of them are opposed to empowerment of the poor and women and to their financial independence for reasons highlighted above. In addition, women make up the most vulnerable section of the poor due to their gender and low financial standing.

¹⁷ More women than men work in vulnerable, low-paid, or undervalued jobs. As of 2013, 49.1 % of the world's working women were in vulnerable employment, often unprotected by labour legislation, compared to 46.9% of men. Women were far more likely than men to be in vulnerable employment in East Asia (50.3 % versus 42.3), South-East Asia and the Pacific (63.1% versus 56%), South Asia (80.9% versus 74.4%), North Africa (54.7% versus 30.2%), the Middle East (33.2% versus 23.7%) and Sub-Saharan Africa (nearly 85.5% versus 70.5%) (Source: UN Women 2015). Women also account for more than 43% of the total agricultural labour force in the developing countries (FAO 2011)

property of their male kin, or to be the bearers of family honour that need to be under control (cf. Moghadam 1992: 36; see also Kirti et al. 2011). Similarly the practice, common in many cultures, of paying “bride money” to obtain a wife is also interpreted as women being mere possessions, and men use this fact to justify the abuse and control of women (cf. Hague et al. 2011; see also Kaye et al. 2007). For such groups, the establishment of an MFI can threaten their authority over women. Just like the vulnerable disposition of the poor at the hands of powerful landlords discussed above, women, too, are at risk of exploitation and discrimination in a patriarchal society. Patriarchy here is understood in a wider sense as the dominance of men over women in the family life and in society in general, partly restricting women’s right to self-determination and/ or access to influence or resources (Sultana 2012: 3).

The gendered norms within the household and families that place women much lower in the hierarchies of familial structures are therefore very typical in such a set up. Women are rendered resource-less in these social institutions. This makes them powerless within the bargaining framework to establish or change norms of decision-making and power sharing to reflect more of their preferences. Of course, women possessing strong personal skills may eventually persist to have a significant influence in the bargaining process despite their initial paucity of financial resources. Personality traits of being suave, patient, clever and observant can be great resources in trying to convince others in the bargaining process and win influence. Still, there are other things that women have no or little control over. For example, the status of their husbands within the family, their hierarchical position among the other women of the family, or whether they bear a male child can be of significant importance in determining their bargaining positions within the family.

The custodians of the patriarchal societal structures identified above are primarily endowed with their dominant male status within the social structures. In addition to their male gender status (in most cases), other specific resources at the disposal of those opposed to MFIs targeting of women include physical dominance, religious ideology, familial and societal support and financial resources. Opposition from patriarchal structures mostly harms the MFIs’ outreach, in that they become a channel of dissuasion to potential MFI clients. In the next section, I discuss how the resources at their disposal help them to influence the bargaining process, and what possible preferences within each of these groups may lead to opposition to MFIs targeting women is discussed.

2.3.1.4 *Religious and communal groups*

In a patriarchal conservative society, power hierarchies are commonplace and often strictly observed. Within the domains of communal life, religious groupings and communal affiliations to groups along caste lines are part of this hierarchy and usually play a dominant role in the lives of the community members. These groups consist mainly of conservative men and usually serve as sources of religious guidance, counselling in community or family matters and arbitration in conflicts.

Often these religious and communal groups dictate and propagate the nature of acceptable roles for women within their communities. Women's primary function and responsibility within such "acceptable roles" is to look after the family's well-being and care, and they are expected to conform to this traditionally pre-defined role. Problems arise when women (or their families) do not want to keep up with these roles chosen for them by such groups and want to realise other potentials, notably by achieving financial independence. These religious and communal groups, in their quest to maintain their influence and authority over the women in their societies and to conserve their status may well oppose all channels that might endanger or challenge their authority (or the norms they propagate). This may well include attempts to counter MFI outreach.

The issue becomes more complex when resistance to MFIs on behalf of these groups is justified on ideological grounds. For example, the wrath of such groups may fall on MFIs or their clientele when there are ideological conflicts with religious decrees. One such case is the principle of interest-based banking or in other words, the Islamic prohibition of *riba* (interest).¹⁸ MFIs generally operate on interest-based loans and tend to target the lower and lower-middle classes that also comprise a significant number of these religious groups' supporters and followers. These groups may well disseminate their outcry against MFIs "unlawful activities on religious grounds" to their immediate and wider public spheres. Religious institutions and individual clerics may use their religious ideology as a resource to influence the bargaining process and exert pressure on the community members to adhere to norms of financial contracts. Fear of public condemnation and ostracism for not adhering to one's faith can be very intimidating for potential MFI clients and their families. One example can be observed in the community of Kolar in Karnataka, India in 2009, when a religious

¹⁸ In Islam, charging interest (*riba*) on loans is considered one of the greatest sins. It is a matter of much heated debate whether the prohibition of *riba* (which literally means *usury* in Arabic) is explicitly meant to apply to usury (excessive interest) only or interest in general. Many argue that the condemnation of usury was based against the exploitation of economically disadvantaged groups in the earlier communities around the times of the Prophet Mohammad and not on regular interest rates regulated by contemporary states today. For a good understanding of the moral context of *riba* and its prohibition see Saeed 1995.

committee, backed mostly by men from the community, prohibited (by religious edict) the interactions between MFIs and Muslim women. The reasons for their actions were “complaints about women neglecting their family duties” in their quest to achieve independence with microfinance loans (Krishnaswami and Ponce 2010).

Likewise, various justifications in the name of tradition, religion or simply conformity with social values are different means to the same end for these groups: the objective or preference of defending and maintaining their authority, influence and power positions over women in particular and the community in general. The strongest resource that the religious and clan elders from the kin groups possess is their power of socially ostracising the non-conformers within their communities. Typically, they enjoy a respectable social standing within their local communities and social circles, and thus they are well-positioned to influence other community and clan members to socially persecute all who might be accused of non-conformity with religious or traditional laws and rules.

2.3.1.5 *Men or male guardians of women clients*

Historically men have been the providers of financial support for their families. This status involves the possession and the maintenance of a certain dominance and authority over family unit and particularly over the women of the family. The term “male guardian” here refers to this historical connotation, which is still very present in many patriarchal societies. The women themselves might or might not consciously interpret this as such. Most probably do or are at least very aware of the expectations that are attached to such a term.

With additional sources of income within the family, comes the sharing of authority and decision-making. Economic empowerment via investments from MFI loans in their small and micro enterprises might enable women to take over more important decisions for the household. This in turn might make men feel more insecure in their positions as heads of their households because in many societies and cultures decision making traditionally falls in the domain of men. Men’s fear to lose their dominance and authority over the women within their households might make them prefer to maintain the status quo and oppose any change that might threaten their upper hand.

This fear is not unfounded, in that priorities for the allocation of financial resources for the household may be very different from those of the men. Given the condition of financial independence and greater leeway in decision making, women generally tend to spend more on the welfare of the children and family than do men (see Duflo 2012, Seth and Bradford 2008

and Garikipati 2008). When women are empowered, the men of the family may lose authority not only over the women, but also eventually over the households' other members.

MFIs' effects on women's empowerment – and the related consequences – may be even stronger when MFIs do not just offer financial services, but also associated programs such as literacy, vocational trainings, health, sanitation, female reproductive and contraceptive awareness. All such awareness and welfare programs, where women benefit disproportionately by taking control of their life decisions (regarding education, sexuality, motherhood, rights etc.), may be seen as an additional threat to male domination within family life and society (cf. Knight and Ensminger 1998: 112; see also Swain and Wallentin 2009: 553). Pressure to conform to socially acceptable roles in male-dominated societies is pervasive. Even when the personal opinions held by individual men are relatively liberal, the fear of social ostracism within close-knit communities may cause men to comply with pre-defined gendered roles.

The fathers, husbands, brothers, sons or other extended male family members can well perceive it as their natural right to uphold and defend their preferred male domination over women (cf. Agarwal 1997). Their favoured male gender status, physical dominance, financial strength (as probably the main breadwinner of the family) and authority as heads of household means that they have many resources by which they maintain the upper hand and dictate “the rules of the game” within their families and clans. In general, therefore, men can be expected to oppose MFIs' gender specific operations in male dominated societies.

2.3.1.6 *Immediate and extended families of women clients of MFIs*

Just as men and male guardians do, families of female clients of MFIs often fear that with women's empowerment, their authority over the women in their families would be at stake. This is in part a function of family structures and dwelling forms that exist in these contexts. In many societies where MFIs are active, families cohabit over multiple generations within the same quarters, called joint family structures. In such cases, even when children get married, they normally do not move out. Often, close relatives like uncles, aunts and cousins all live under the same roof. The oldest male typically heads the family and makes all the important decisions on behalf of the family. In such a setup, a scenario where one female member opts for a loan with an MFI, and eventually succeeds in attaining a certain level of economic independence, can prove profoundly destabilising. Other family members (including female members) may harbour envious or jealous sentiments against the borrowing female member. With multiple generations in close proximity, these family members can be of

the same age group or from older generations. Female members can be mothers-in-law, sisters-in-law, cousins (in-law), aunts (in-law) and so forth. Relationships of envy between such women might also be generational, and can worsen when the younger women try to attain a level of financial independence. To avoid the emergence of rivalries and subsequent harm to the fragile amicable relationships within the joint family setup, family members might therefore ban their women from taking out a loan.

Also, the in-laws of the women (members of her husband's family), whether living with her or not, might oppose her desire for financial independence and self-determination. Again, the fear that with such empowerment the women will escape her husband's or her in-laws' control is the main reason for this opposition. Fear of family rivalry, disharmony within the family or opposition within the family to women's working status are additional factors that might hinder potential female clients from taking out a loan with an MFI.

2.3.1.7 Neighbours and peers within communities

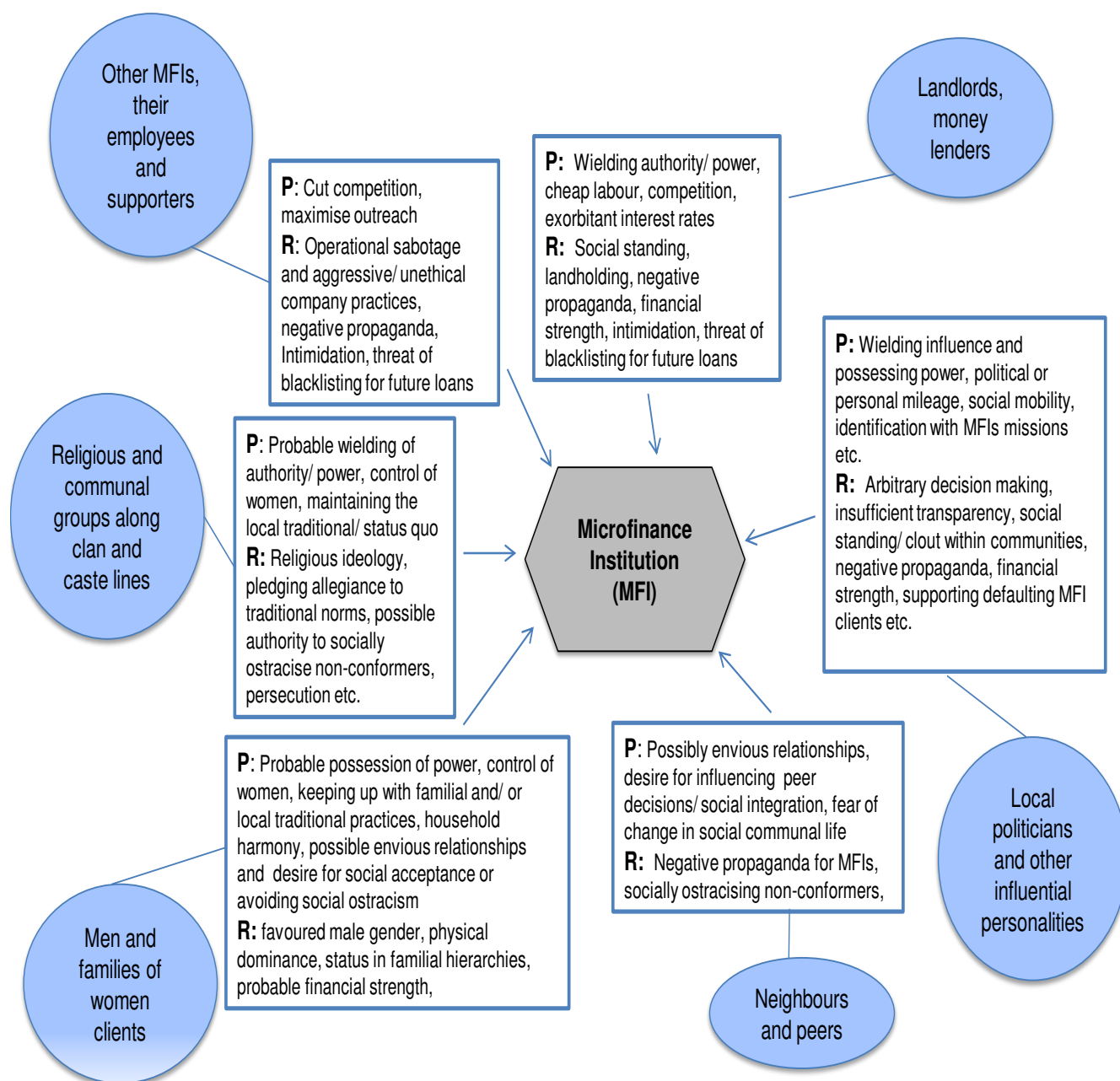
Similar to the potential women clients' family members, peers and neighbours within the communities and neighbourhoods might also develop feelings of jealousy and envy. Since MFIs give out loans for economic activities to small and micro businesses, it is quite probable that the most enterprising women of a local area may opt successfully for a loan. If these women succeed in generating income for themselves and their families, other women who did not succeed in obtaining a loan – because they were barred by their families or because they did not qualify for a loan for whatever reason – may feel left out, abased or inferior. In turn, these discrepancies may lead to antagonism or animosity not only towards the women who successfully obtained the loan, but also towards the MFIs by jealous peers and neighbours, who may then attempt to undermine MFIs and dissuade potential clients.

Furthermore, women who are clients of MFIs may have agendas that do not benefit all community members. This scenario may be most salient when the preferences of the (empowered) women targeted by MFIs find their way into the political agendas of local governments and can end up negatively influencing others in their familial or communal circles. For example, Casini and Vandewalle (2012) provide empirical evidence from India that explicitly shows that collective action undertaken by women's Self-Help Groups (SHGs), the most common form of microfinance in India, does exert influence on local governments to provide public goods. Their study examines public goods provision in the form of measures against excessive alcohol consumption, and solving problems related to school and forest management. Excessive alcohol consumption (wide-spread among Indian men in certain strata of the population) negatively affects household budgets, in addition to triggering

domestic violence (Ibid: 2). Educational issues were related to the provision of free midday meals, sanitation and teacher quality. The interest in the forest was due to the households' dependence on it for livelihood (Ibid). The activities of women in these areas reflect their general preferences for spending more time and resources on children's welfare (Ibid; see Anderson and Baland 2002 and Duflo 2012). These public goods exerted a negative externality on other subgroups of villagers, like the men who were mostly the ones consuming and producing alcohol (Ibid: 3). The collective actions of the SHG consisted of manual interventions, campaigns in the village against alcohol production and visits to a government official to ask for a solution (Ibid: 3) The authors conclude that a non-financial benefit of the MFIs is that they provide a platform that allows socially disadvantaged women to meet regularly and discuss shared problems. This has proved effective in making them both visible and credible to local authorities (Ibid). Under such circumstances when the peers of the MFI clients within the communities feel that they are at a losing end (like the men consuming or producing alcohol) or benefitting less than others, their opposition to groups of women collaborating for microfinance services is understandable.

Figure 2 presents an expanded version of Figure 1 from Chapter 1. It provides further details on which kinds of groups directly or indirectly intervene in MFIs' operations within the local communities. The illustration is a visual summary of different actors' preferences, their possible intervening actions and resources that they might draw upon as a means to achieve their goals.

Figure 2 – The local socio-political milieu, the actors with their possible preferences and resources



Note: P: possible preferences of actors; R: Possible resources at the disposal of actors

The circles show the categories or groups of the intervening actors and the quadratic shapes outline the preferences (P) and the respective resources (R) at their disposal that would endorse their actions. In the centre of the illustration are the MFIs that find themselves in the middle of these interventions and interactions between the various actors, the MFI clients and the MFIs. As already mentioned above the outcomes for the MFIs can be negative or positive; to reflect this, the arrows pointing to the MFIs in the centre can have a positive or a negative sign.

In the next chapter, I present a methodological framework that provides a detailed overview of the methods, sampling, rationale for the selection of countries and MFIs and all other technical remarks.

3 Methodological Framework

This chapter presents a methodological framework for the analysis of all the stakeholders' preferences within the MFIs socio-economic and political milieus and provides details on the data and the sample. I first provide a description of the regional case selection for the empirical analysis, followed by a section on the sources of data and a brief contextual background on sampling and data generation methodology. This background is essential for the following section, which provides details of the method that the analysis will adopt in the following chapters. It will provide the basis for understanding the process that leads to a loan take up decision by the MFIs' potential clients. The following sections will highlight the field settings and systems design, reasons for the choice of field sites (both of the countries and the MFIs within the countries), the sampling methodology, the key issues and problems confronted during the survey and the methodology for analysis and presentation of this information in the following chapters.

3.1 South Asia and microfinance

The South Asian region is known for pioneering the microfinance movement with some of the most notable institutions like the Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) and Association for Social Advancement (ASA) of Bangladesh. India's National Bank for Agriculture and Rural Development (NABARD) hosts the largest bank linkage programme in the world. NABARD's bank linkage programme encourages India's banks to lend to self-help groups (SHGs) composed mainly of poor women, evolving into an important Indian tool for microfinance. Since its initiation in 1992, about 95 million households had been reached to date (NABARD 2015, see also Reddy and Malik 2011: 1). Even prior to the introduction of contemporary microfinance institutions, informal finance in South Asia dates back more than two millennia in the form of community rotating funds (ROSCAs) and credit associations of all sorts (see Seibel 2005).

The South Asian countries selected for the country empirical analysis are India and Pakistan. The analysis is not only a comparative study of the two countries, but also of the societal structures affecting MFI outreach within each country itself. For this purpose, the regions within India and Pakistan covered here were also chosen based on a most similar systems design (MSSD) for the survey. In this design, external control variables are as similar as possible, except variables that directly stem from the phenomenon being studied – in this case, the communal interactive pressures from different groups that affect MFI operations

targeting women – in order to isolate the key factors affecting this phenomenon. Both India and Pakistan have seen steady growth of microfinance services for the lower income class of the population, especially in the past couple of decades.¹ These countries share important features that have sustained the growth of the microfinance industry, including a large agricultural sector, widespread poverty and a substantial percentage of the labour force employed in the informal sector. The seasonal nature of these countries' agricultural sectors means that agricultural workers typically seek employment in other informal sectors for part of the year. Often investments from micro-loans for small and micro-enterprises help in supplementing household incomes, especially when there is no demand for agricultural labour. Within this context, the existence of a parallel informal economy of micro-enterprises has flourished in India and Pakistan. These enterprises are run mostly by members of the micro-entrepreneur's household, comprising day labourers and vendors of food stalls, skilled and semi-skilled entrepreneurs and cattle owners. In both countries, governments have increasingly engaged in the regulation of the microfinance sector, especially after the sector experienced a crisis in both countries in 2008-2010. MFIs are now subject to stringent controls and have had to adjust their screening and lending methodologies in both the countries.

India and Pakistan share an intertwined history, including a common colonial past before the establishment of an independent Pakistan in August 1947, and share many cultural and traditional similarities. In both countries, traditional social structures are driven by patriarchal socio-cultural norms, where gender relations are characterised by the largely segregated roles of women and men. Gupta and Yesudian (2006), in their study of socio-spatial disparities in women's empowerment in India find that "...women's position and degree of empowerment is determined by the ways that gender identities, gender roles and gender relations are conceived at the family, household, community and societal levels. The differential valuation of the tasks performed by men and women remains the root cause of attitudes that result in differential investment in men and women with regard to such development forces as secular education, skill formation, and income generating activities," (Ibid: 366). Similarly in Pakistan, as noted by Hakim and Aziz (1998), "...seclusion of women is invoked by religious injunctions" and perceptions of their exclusion from male-oriented work are intact (Ibid: 729). This is confirmed by Roomi and Parrot (2008), who observe that

¹ The discussion on the systems design will continue in the coming sections where details of similarities in the regions within the two countries will be narrowed down further with details on the states and districts within the states. However, it is important to get started on a more general discussion here on the similarities within the regions.

“...systematic subordination determined by the forces of patriarchy” and exacerbated by feudalistic and cultural practices restrict opportunities and options for women entrepreneurs (Ibid: 60).

Still, and in light of the passage of six and a half decades since independence, India and Pakistan also differ in many ways.² This is especially relevant for the MSSD analysis undertaken in this thesis, where the key variable of interest is how the social fabric of neighbourhoods and communities influences certain household decisions like MFI membership. The term “*social fabric*” is used here to capture the strengths of interpersonal relationships as measured through different types of communal interactions (see Ahlbrant and Cunningham 1979). These interpersonal relationships and interactions within the communities make up a dynamic force that endorses a sense of belonging for the members of the community. This sense of belonging can exist at several levels within the community, including religion, caste and social standing for example. The presence of a single dominant religion in Pakistan, where the population is predominantly Muslim and the constitution partly incorporates elements of Islamic law, compared to India’s relatively secular state and more multi-faith environment, is one such factor that might influence MFI-community relations and interactions. In addition to independent analyses within each country, this comparative study is deepened by examining how the situation of female MFI clients in one patriarchal society differ from their counterparts in another patriarchal society.

3.2 Sources of data and the contextual set up

The sampling and data collection methodology were designed to deal with three major issues regarding the independent variables. First, to examine the impact of women’s intra-household power relations on their MFI memberships; second, how the perceived threat of persecution from extended family and other actors affected MFI membership; and third, the difficulties faced by the MFI and its employees from the various actors within the communities they work.

The analysis is based on a household survey of 110 households (HH), of which 55 HH were in Pakistan and 55 HH in India. The sample included households with an active lending status with the MFI under study in the country and a control group of non-lending HHs within the same areas where the MFIs operated.³ The data collection was carried out with seven different types of interviews (for more detail on the questionnaires used, see Appendices 3A -

² See Jalal 2012 for a detailed historiography of cultural and traditional ties and development in Pakistan before and since partition.

³ A detail of field sites and setting follows in the later sections.

3G). Given the particular emphasis of the study, which examines *whether the societal setting characterised by a patrilineal system with a relatively low status of women, has a negative effect on the performance of MFIs (both in terms of outreach and sustainability)*, I seek to answer the core questions based on responses and opinions of both the women and the men within these communities. The data presented was collected from complete HHs (wherever available), meaning that the woman of the household has been interviewed, and a male counterpart (usually the husband, but also sometimes the father, the brother or the son, where the husband was not available or the woman was unmarried or widowed) was also interviewed. Since this analysis examines the juxtaposition of power positions within households in a male dominated society, it makes sense to get a complete picture of how power and decision making is perceived by both men and women within the households, and how it is negotiated in the wake of women aiming for more financial decision making within the households. Loan officers, branch managers, and senior management of the MFIs were also interviewed. A final set of interviews was carried out with local moneylenders.

The survey questionnaires for households covered a wide range of questions to generate individual profiles, like household income, size and structure, bank account holding, intra-household violence and decision-making processes, resource sharing and mobility, as well as respondents' personal views on MFIs, loans and reactions from family, peers and the community (see appendices 3A-3D). In addition to semi-structured interviews with the survey participants, participant observation was also carried out within their social circles in the community, on occasions like religious festivals, as well as in their dealings with the respective MFIs, for example during loan disbursements or collections. This helped to understand everyday interactions with peers, community members and MFI staff.

One of the most important features of the interviews is an open-ended component that enables the respondent to elaborate wherever there was a need to relate to their personal life experiences and share the information in the form of an informal conversation. These deeply personal, real life stories of the women and their families shed light on how power is negotiated and decisions are made at different levels of familial and social circles.

3.3 Systematic method of analysis

For the analysis to follow, it is important to derive a systematic methodology which would help in sorting the mass of information and understanding the decision of a household for taking up a loan or not. Thus I argue that several actors (groups and individuals) in communities where MFIs operate will be motivated by their quest to have power or gain

influence over households (and especially over women) in their decision whether to opt for a loan with an MFI. I further postulate that the affiliations and the social ties in lower to lower-middle class close knit communities (including the immediate and extended family) are crucial for a household which is a part of this community. Most members of the community want to be fully accepted and integrated in their communities, and therefore go to great lengths to avoid the wrath of other community members. This renders these households in general, and the women of these households in particular, vulnerable to pressures from to comply with social and communal norms.⁴ Based on this assumption I outline and define *four components* that are essential to the decision of loan take up from an MFI, and therefore eventually affect MFI outreach.

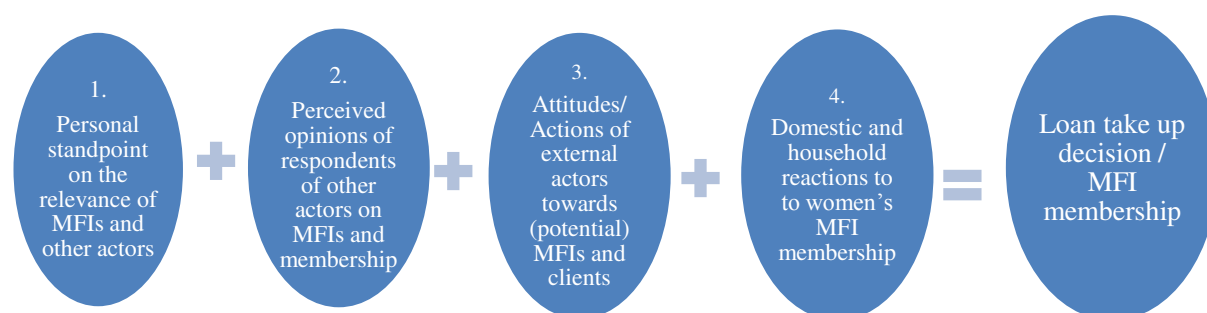
The *first* of these components is the respondent's *personal stand point*. This comprises two main parts. The first is *a)* what the respondents personally think about the services that the MFIs have to offer, in large part whether they feel that the MFIs indeed serve an important social function in offering loans and other banking facilities to the poor. The second is *the degree of importance that they attach to* their affiliations in various social circles – with neighbours, patrilineal clan/ kinship ties, affiliations of caste, and religious and other communal groups (hereafter “actors”). I argue further, that the viewpoints and perceptions of the respondents on the MFIs and the importance of their social affiliations are formed and instilled in turn by the *second* component, namely the *respondent's opinion of the actors' opinions on MFIs* in general and *MFI membership* in particular. The *third* component is the *attitude/ actions of these actors towards (potential) MFI client HHs*; and the *fourth* is the *domestic or male guardians' reactions to the women's MFI membership*. Figure 3 depicts a visual presentation of the four components that influence whether potential MFI clients take out a loan. This whole process is complex, with components influencing one another and/ or taking place simultaneously.

MFI membership is the dependent variable that results from the combination of the four independent variables, as depicted in the four components of Figure 3. The subsequent analysis will explore these components and their interactions, based on the interviews, to establish whether or not the incidence of MFI membership is in fact influenced by these four components. In doing so, I will also try to establish which of the components have the strongest role to play in making the household to either opt for or to refrain from opting for an

⁴ Families and men are also to be considered as a kind of “group”, furthering their common interest of exercising power over the women in their families. This is fully in line with the bargaining framework, where social interactions allow the participants of social institutions to gain the benefit of joint activity by determining ways for the distribution of the benefits of social life (Knight 1992: 22)

MFI loan, even when there is a need for one. Though the analysis is mostly qualitative in nature, contingency tables have been used in the following chapters as a tool to examine the relationships between the different categorical variables and to test if the two sample sub-groups, of borrower and non-borrower household, differ from one another significantly.

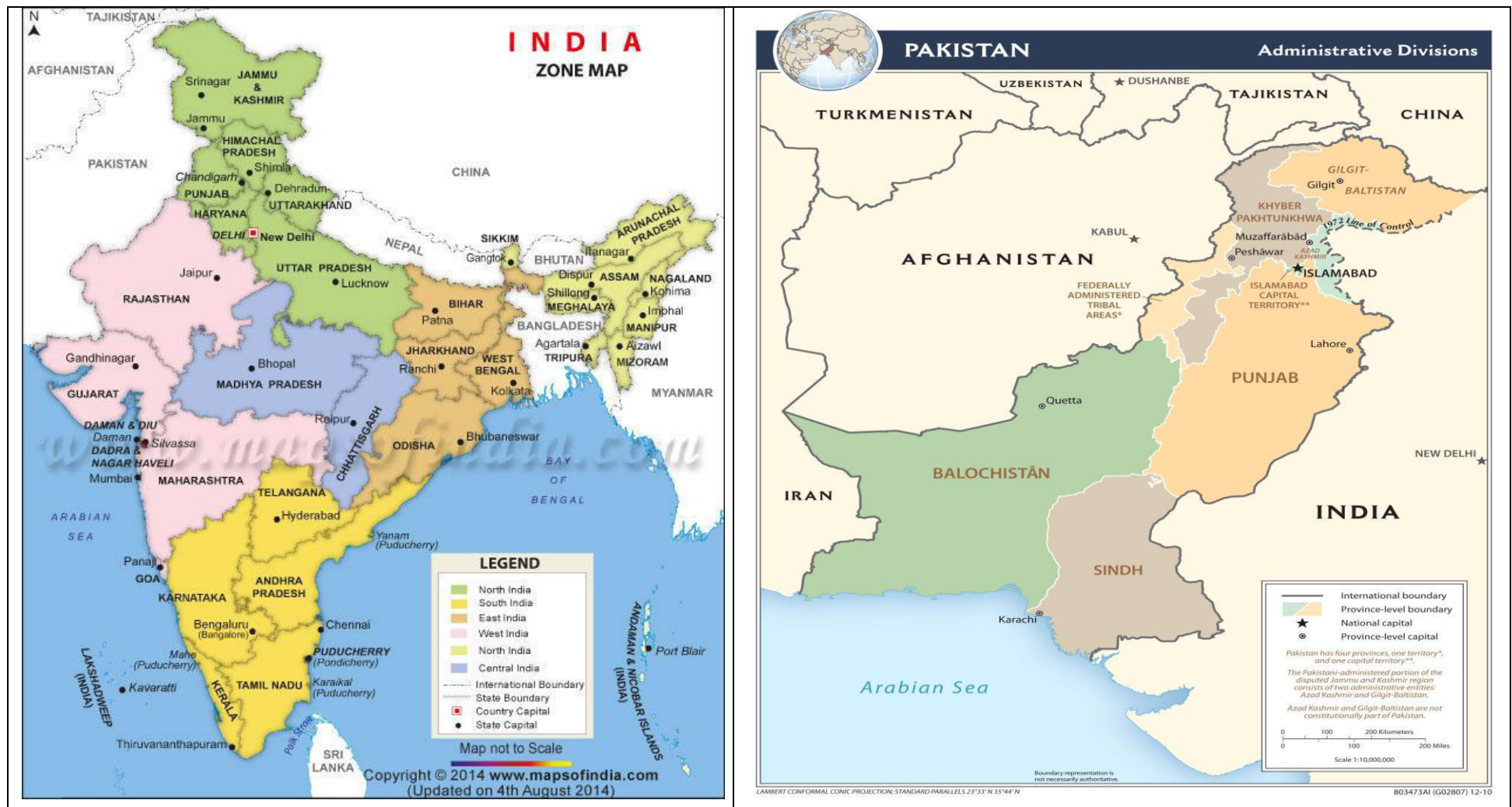
Figure 3 – The four components influencing the loan take up decision



3.4 Field settings, systems design and choice of MFIs

The locations selected for the country surveys were the adjoining northern states of Uttar Pradesh (UP) and Bihar in India and the north western province of Punjab in Pakistan (See Map 1, below). These field settings and their concentration in the northern states within both countries were chosen through MSSD for the survey. Comparisons of the field sites across the regions or countries are of much greater relevance than the comparison of their national contexts. Certain characteristics like population density, literacy rates, vocational skills, labour force participation rates are held constant as control variables, while other covariates of interest, including familial, social, religious and cultural settings, are taken as independent variables in investigating the differences in regional outcomes for MFI loan take up. Table 3.1 presents some comparative statistics of the two countries and the states.

Map 1: States of India and Provinces of Pakistan



Source: Zonal map of India (2015); Administrative map of Pakistan (2013).

Table 3.1: Literacy and labour force participation rates for India and Pakistan and selected states

Indicators \ Country	India			Pakistan ³	
	National	UP	Bihar	National	Punjab
Female literacy rate (%)	65 ¹	59 ¹	53 ¹	48	53
Male literacy rate (%)	82 ¹	79 ¹	73 ¹	71	70
Female labour force participation rate (%)	26 ²	17 ²	19 ²	22	26
Male labour force participation rate (%)	53 ²	48 ²	47 ²	69	70

1. Literacy rates for persons age 7 and above for 2011 data (Census of India 2011a).
2. Persons between the ages of 15-64 years for each category. Figures reported here are for 2011 (Census of India 2011b).
3. Literacy rates and labour force participation rates reported here are for 2012-2013; and the statistics for the respective categories include the population of people aged 10 years and above (Pakistan Bureau of Statistics Pakistan 2014a and b respectively).

As table 3.1 shows the female literacy rates and female labour force participation rates for the two Indian states and the Pakistani Punjab are quite comparable to one another. This is not the case, however, when compared to other states and provinces within their own country's borders. While Punjab in Pakistan has the highest rates of female literacy and labour force participation rates in the nation, figures for the same statistics in UP and Bihar lagged far behind other states in India (see appendices 4 and 5 for comparisons). Nonetheless, the comparability of these statistics between the countries is important for the analysis. This ensures that decisions to opt for MFI loans in a particular area is not subject to women in one particular area having better employment chances, or being more enterprising, qualified or skilled, than their counterparts in another region.

Also generally speaking South Indian women fare considerably better women in North Indian or Pakistan in terms of their autonomy—like decision-making, mobility, freedom from threatening relations with husband, and access to and control over economic resources (see Jejeebhoy and Sathar 2001). For the analysis it is important to have societal and family structures which resemble more or less in their core life styles with hierarchical structures, every day practices and norms as failure to do so could lead to a misrepresentation of the results. Furthermore, both UP and Bihar have high populations, and correspondingly high population density. The latter is the most populous state in India, while the former is number four out of a total of twenty eight states (Census of India 2011c). Likewise, Punjab is Pakistan's most densely populated province with 55% of the total Pakistani population according to the 1998 census data (Pakistan Bureau of Statistics 2014c) (see Appendix 5 for comparison of the regions). This is of considerable importance for MFI outreach and

sustainability, as it is easier for staff members to work cost-effectively in densely populated areas.

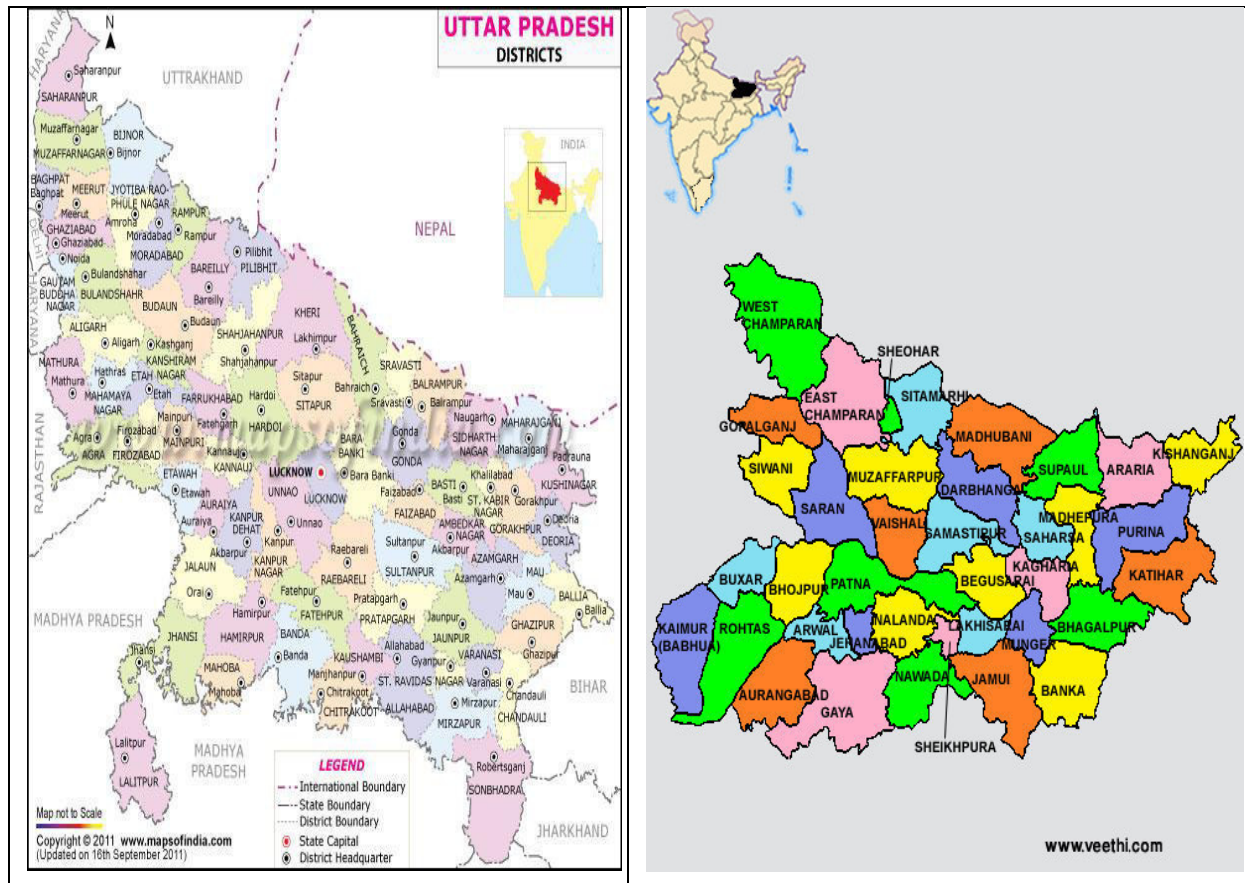
3.4.1 Choice of MFIs

In India I worked with the Network for Entrepreneurship and Economic Development (hereafter NEED) and in Pakistan with the Kashf Foundation. NEED operates in the states of Uttar Pradesh and Bihar (North India), whereas Kashf operates in the provinces of Punjab and Sindh, in western Pakistan. NEED and Kashf share important institutional similarities, which are relevant to their pairing in the MSSD design. Both MFIs target women exclusively. While both originally sought to replicate the Grameen model, both NEED and Kashf have evolved and grown into organisations with their own specific institutional features. Most importantly, both MFIs share a much larger agenda of financial literacy for their clients, proceeding from their initial loans to facilitating gradual access to conventional banks. Both NEED and Kashf have long-time clients who, despite having progressed to opening accounts with mainstream banks, still take out loans with the MFI. This focus is crucial to the analysis, as it shows how MFIs can not only facilitate credit, but also improve their clients' financial management skills and increase their control over their economic aspects. Chapters 4 and 5 provide a more detailed account of the MFIs' origins and operations.

3.4.2 Field sites and interviews

I conducted field work in India from October to December 2010, working with NEED branches in the UP and Bihar neighbourhoods. I started out in Lucknow, the capital city of UP, where I spent the first four weeks visiting households in the slums of Lucknow district. The next three weeks I spent travelling daily from Lucknow to the rural town of Mehmoodabad in the neighbouring district of Sitapur, some 60 kilometres north of Lucknow. While the households in the slums of Lucknow can be classified as urban or peri-urban, the households in the northern town of Mehmoodabad of Sitapur District were rural. I spent one week in December 2010 in Bihar in the town of Motipur in the district of Muzaffarpur, where households in neighbourhoods were either from semi-urban or rural locations. In all the districts, I worked in the neighbourhoods where NEED was actively running operations through their branches for the area. Map 2 shows all districts in the states of UP and Bihar.

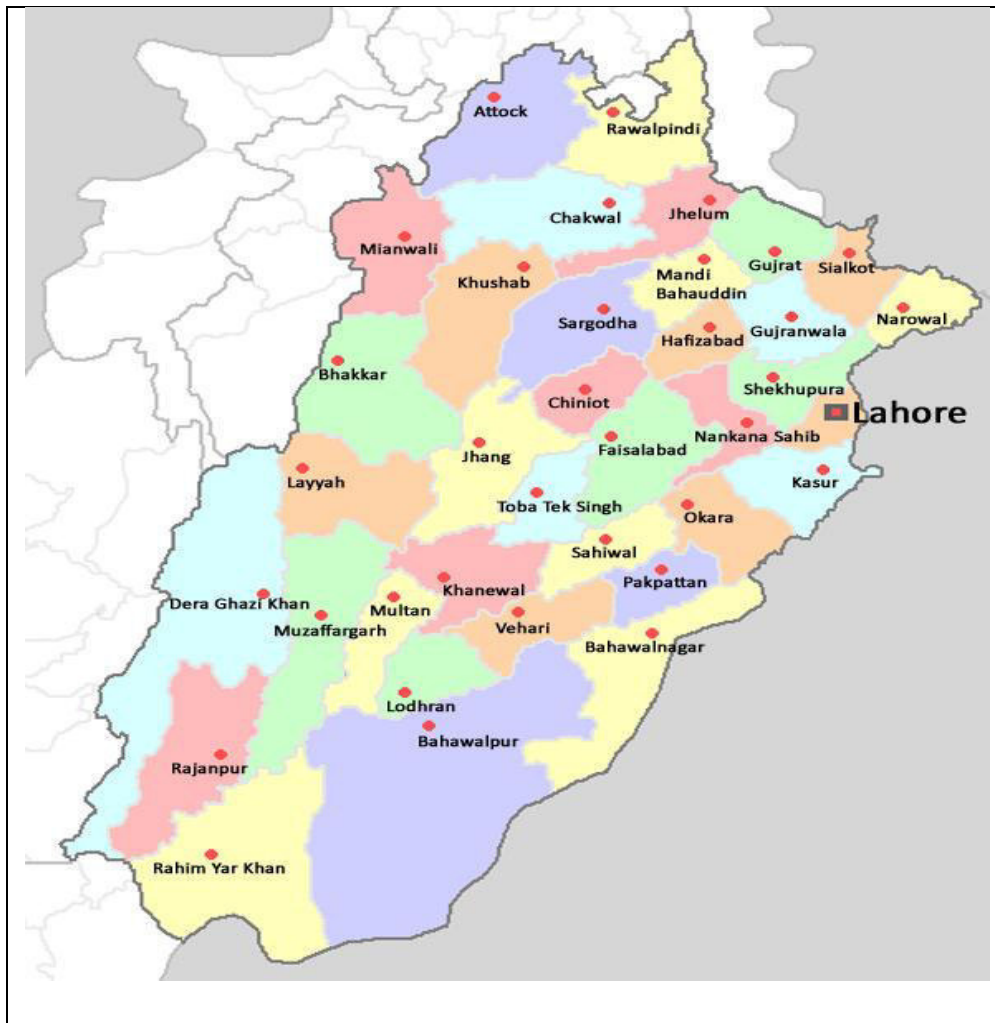
Map 2: Districts of Uttar Pradesh and Bihar (India)



Source: District map of Uttar Pradesh (2013); District map of Bihar (2013).

In Pakistan, I conducted the same survey with the clients of Kashf, from February to April 2011 in four different districts of Punjab; namely, Kasur, Sheikhupura, Gujranwala and Lahore. All four districts lie in North-West Punjab bordering India. The rationale for the selection of Punjab districts was based on the feasibility of collecting data efficiently, as it was important to gain prompt access in light of a delay in field work due to the destructive floods Pakistan suffered in 2010. Map 3 shows all the districts of Punjab. The districts are quite representative of the Punjab, though they are comparatively among the larger ones from the 36 districts of Punjab in terms of population, with Lahore being the largest. The district of Sheikhupura was of particular interest, as it was the core area of the delinquency crisis in the microfinance sector that rapidly spread all over Pakistan in 2008/2009, which is discussed at length in Chapter 5. The household data collected in each district, and the interview data, along with response rate per district for the households, is listed in Table 3.2 in the next section.

Map 3: Districts of Punjab (Pakistan)



Source: District map of Punjab (2012).

All field work and the data collection were carried out by myself personally, without any third party involvement. The MFI staff and management were helpful in providing logistical and client information where necessary. My regional language skills in Urdu and Hindi, and knowledge of the cultural settings in both the countries allowed me to accomplish all fieldwork without an interpreter or a guide. Given the nature of the survey, where asking considerable confidential and intimate questions about the households were unavoidable, both language skills and a good knowledge of the cultural mindset were essential. It was critical that responses from the survey respondents (both men and women) on sensitive issues such as domestic violence could be discussed in the absence of interpreters or third parties.

In India there was a lot of curiosity about my background and language skills, as these seemed to not quite match my physical appearance. To avoid any biases that might be created due to my Pakistani origin, I simply stated my citizenship (which is different than my origin) and that I have mastered the language over many years via academic training and being

closely acquainted with many South Asians. In general though, my Pakistani origin and my familiarity with the societal norms and practices within the regions often helped me to suggest prompts in the right direction when non-verbal cues and communication (body language, uneasiness, silence or facial expressions) suggested that there was a need for it. It is likely that I received a better response rate for most of the questions put to the respondents, than would have been the case without the language proficiency or cultural knowledge.

As already discussed, the interview respondents included men and women from borrower and non-borrower HHs, MFI employees and management and local moneylenders in the areas of MFI operations. Thus in all there were seven sets of interview questionnaires (see appendices 3A-3G for details). At no point were any of the survey respondents given questionnaires to fill in on their own. All the interviews were personally carried out by me with the help of a detailed written interview protocol. The interviews were partly structured but mostly semi-structured, with open ended questions. Though written in English, the interviews were conducted in Hindi and Urdu mostly with the survey participants from the households. With MFI staff, however, interviews were also carried out partly in English. A core set of questions were part of every interview for the household respondents like personal background, HH structure and size, personal opinions on MFIs, communal groups, social affiliations etc. However, each questionnaire also deployed a unique set of questions relevant only for the category of participant being interviewed. There were some problems confronted during the survey, which will be discussed in the following section.

3.5 Sampling: household selection, response rates and problems

As mentioned above, a total of 55 HHs per country made up the sample. Table 3.2 presents details of the interviews conducted per country, state and district.

Table 3.2: Breakdown of interviews conducted per country, state and district

Country	State/Province or District	Total HHs	Borrower HHs	Non-borrower HHs	Women Response rate ¹	Men Response rate ¹	NEED/ Kashf staff ²	Money-lenders
India	Uttar Pradesh (UP)	40	28	12	100 %	88 %	8	2
	<i>Lucknow ³</i>	<i>20</i>	<i>16</i>	<i>4</i>		<i>90</i>	<i>5</i>	<i>1</i>
	<i>Sitapur</i>	<i>20</i>	<i>12</i>	<i>8</i>		<i>85</i>	<i>3</i>	<i>1</i>
	Bihar: <i>Muzaffarpur</i>	15	11	4	100 %	76 %	3	1
	Total	55	39	16	100 % ⁴	82 %	11	3
Location HH	Rural	29	18	11	-	-	-	-
	Urban	26	21	5	-	-	-	-
Pakistan	Punjab	55	43	12	100 %	80 %	14	4
	<i>Kasur</i>	<i>10</i>	<i>8</i>	<i>2</i>		<i>75</i>	<i>3</i>	<i>-</i>
	<i>Sheikhupura</i>	<i>11</i>	<i>10</i>	<i>1</i>		<i>86</i>	<i>1</i>	<i>2</i>
	<i>Gujranwala</i>	<i>15</i>	<i>12</i>	<i>3</i>		<i>90</i>	<i>4</i>	<i>-</i>
	<i>Lahore</i>	<i>19</i>	<i>13</i>	<i>6</i>		<i>70</i>	<i>6</i>	<i>2</i>
	Total	55	43	12	100 % ⁵	80 %	14	4
Location HH	Rural	21	18	4	-	-	-	-
	Urban	34	25	8	-	-	-	-

1. Pooled response rates together from borrower and non-borrower households.
2. Loan officers, middle and senior management together.
3. The cursive form shows the categorical breakdown per district of the state/ province total in bold.
4. The rate consists of 93% of the initially sampled HHs and 7% of replacement HHs.
5. The rate consists of 95% of the initially sampled HHs and 5% of replacement HHs.

The sample was drawn using stratified random sampling across two dimensions. The first dimension was specifying a semi-urban and rural geographic distribution, such that both the sub-populations were well represented. I initially intended a 50:50 split of the sample, but due to the size of the largest districts of Lahore in Punjab (Pakistan), which is mostly urban, the final sample of 110 HHs covered 50 HHs in rural areas, and 60 HHs in urban ones. The second dimension was the lending status, with roughly 2/3 of the HHs as the “treated” stratum (on the basis of a current active borrower status with the MFIs) and the remaining 1/3 of the HHs as the “non-treated” stratum, (non-borrowers, without a loan from the MFIs). Oversampling of borrower HHs makes sense, since I am specifically interested in details of experiences from the treated HHs to distinguish what differentiates them from their counterparts.

The non-borrower status of the households applied only to the MFIs under question, namely NEED in India and Kashf in Pakistan respectively. All the HHs shared a similar socio-economic background. The selection of the borrower households followed from the client base records of the MFIs in both the countries such that random draws of every fifth house on the loan officer’s list who was responsible for the given area was selected. In case the woman was not at home, I inquired in the neighbourhood about her place of work or any other place where she might be and went to see her there. In the rare cases (6%) in which I could not reach her, the next household on the list (below the unavailable HH) was picked as a replacement. When the women were available, but the men were not, I interviewed the woman and tried to meet the men at another date. The lower response rate among men, reported in Table 4.2, reflects the fact that there were certain cases where a meeting eventually turned out to be impossible.

The non-borrower households were randomly picked from within the same neighbourhoods, without any pattern, with the help of their borrower peers. For all the HHs, borrowing and non-borrowing, the women and their male guardians or heads of the HHs were interviewed separately.

The number of households per district was approximately proportional to the size of the district, but also to the MFI operations within the districts. For example, both the districts of Lucknow and Lahore are large in terms of population, but also have a sizeable MFI client base; therefore more households from these districts make up the sample in India and Pakistan respectively, as shown in table 3.2. The women originally sampled were relatively easy to reach. They were mostly engaged in domestic chores or working from or near their homes, and thus available and mostly also willing for an interview. Most of the MFI clients had

invested in retail micro businesses like food stalls, tailoring, craft and embroidery, or shoe making. A major part of all such activities could be carried out from home by the women. Activities where mobility was needed, like the selling, marketing or delivery of the goods, were then taken over by men. Also, in the rural areas of both countries, women who had invested in cattle with the MFI loans tended to the animals from their homes. Thus, even when women were economically active they were likely to be available for an interview in and around their places of residence.

There were rare cases of men (3 in India and 2 in Pakistan) being available but declining to be interviewed. Reasons for this were either not given by the men, or were expressed as discomfort being interviewed by a woman or an unfounded fear that talking to me would get them in some kind of trouble. In a particular case in a Bihar district in India, a respondent refused an interview stating that he was a simple and poor man and did not want to do anything that could cause him unwanted trouble. I was confronted with a similar attitude by another respondent in the Pakistani district of Sheikhpura.

With a few (2 in India and 1 in Pakistan) exceptions of men from non-borrower households, men in both countries were very cooperative and had no issues whatsoever exchanging information on and about their family life. Many of the respondents engaged in their daily work shifts for their micro-enterprises while I interviewed them; this gave me an insight into their daily schedules and work relations with fellow workers (if any). Each interview was carried out at the homes of the respondents with a promise of anonymity to all respondents for their private and personal household information. Privacy during the interviews was of utmost importance for the respondents as considerable intimate household information was sought. For many respondents it was extremely difficult to talk about partly traumatising experiences regarding marital or familial violence, as well as other unpleasant experiences of intimidation by others in their social circles like neighbours, loan officers of MFIs or other members of their communities. Acknowledging such hard realities was best done in the absence of family, neighbours or MFI staff. It was important to win over the trust of the women in many of such situations. My clear statements at the start of the interview that all information would be treated as anonymous, and would help in designing better microfinance services and products, helped in establishing this trust. A majority of the respondents were quite keen to aid this cause.

However, it was at times extremely difficult to communicate this to very inquisitive and curious neighbours in certain localities, especially in India. A characteristic of the peri-urban slums of UP, for example, was that there was absolutely no concept of privacy

whatsoever between neighbours and peers (most of the neighbours were peers in a group with a joint liability for a loan). The concept of having a private sphere or individual preferences was an alien concept. Living spaces were scarce, and sometimes quarters were as small as 15 metres square for a family of 8-10. These would in turn be accessible at all times of the day or night to all the neighbouring households (given that the relations within the neighbourhood were generally amicable). To deal with such situations, I would usually either arrange another time to return to the HH or ask the respondent to suggest another more private place, which might be a neighbour's or relative's house, or simply the roof top. This in turn posed a new challenge, however, as this reticence was considered rude according to the local custom, and many in the neighbourhoods were then either offended or sceptical. To mitigate this problem, I made a habit of returning to the furious and curious neighbours with a bag of local sweets and candy to win back good will for the respondent. This would generally resolve the issue quite well.

Interviews with the MFI staff were carried out at the respective MFI branches. Interviews from the MFI staff were simply sought by the loan officers in charge. This means that the loan officers who were responsible for the operations of the areas from where the HH samples were drawn were also interviewed. The management staff interviewed included both high ranking executives of the state level operations and mid management branch managers. More details on the content of the interviews of both loan officers and MFI management will be discussed in Chapter 4 for India, and Chapter 5 for Pakistan.

Another problem was to meet and even to identify moneylenders in both countries. There is no data available on informal moneylenders. Informal money lending without a state grant licence is forbidden by law in both India and Pakistan and there are laws on the practices and registration of all such businesses and activities (see Reserve Bank of India 2007 and Pakistan Legislation 2005). Nonetheless, these figures were prevalent in the communities where fieldwork was undertaken, and in urban areas the local marketplaces offered many different spaces for all kinds of pawnshops, leasing societies, traders and wholesale dealers who engage in official and unofficial money lending. Most of the informal moneylenders do not abide by laws, formalities or regulations, which among others make punishable by law the unethical practices of the moneylenders like violence or intimidation against the debtor or their family members (Ibid). The fear of legal prosecution is possibly one reason why persons functioning as moneylenders refrained from an interview. However, talking to the household respondents and the MFI staff, I got the feeling that anybody who was in desperate need of money would get a loan, usually at rates as high as 500%, from

many on the market. The moneylender either had to know him or her directly, or guarantors would liaise between the borrower and the moneylender. In both the countries, I did manage to meet some moneylenders who were local landlords, local politicians or influential men in their areas, doing money lending “on the side” (as two of them stated). Their activities are usually carried out as a clandestine activity, camouflaged or run parallel to another business such as land leasing, grain wholesale or retailing. Some of these moneylenders reluctantly agreed to give me informal interviews that were carried out at their homes.

In India, I interviewed three moneylenders, two from Sitapur District in UP and one from Motipur in Muzaffarpur District in Bihar. Two of the moneylenders were lending directly to borrowers. However, one of the moneylenders in Sitapur would accept in kind payment, in the form of cheap and hard agricultural labour on his lands, by the borrowers. This moneylender from Sitapur also claimed to have the largest loan portfolio of the three (according to his own statements, in hundreds of thousands of Indian Rupees, but he would not say how much exactly). The second moneylender from Sitapur was a landowner, but also a local politician, and also ran another retail business providing tent rental services for weddings and occasions. According to his statements he had an open loan portfolio of some INR 100,000 (approx. USD 1,560). The third moneylender was a retail provisional store keeper in Bihar who did money-lending in addition to his retail store. His loan portfolio was under INR 100,000.

In Pakistan, I managed to interview four moneylenders in the Sheikhpura and Lahore districts. The moneylending market is a complex one, and there were several channels, either direct or working through middlemen/women. Two of the moneylenders were direct lenders and two were middle-women, borrowing from one source (from MFIs among others) and lending at much higher rates to others, with loan portfolios, according to their own statements, ranging from PKR 100,000 (USD 1,120) to PKR 1,000,000 (USD 11,200). Being in the money lending business for over ten years, the two lending directly had parallel businesses running, but admitted that their main source of income was from moneylending.

Having now discussed the several problems faced in the field during the surveys, the next chapters will present the information generated by these surveys. In doing so, the chapters will also provide an analytical account of the information from the interviews.

4 India: Microfinance in the poorest states of Uttar Pradesh and Bihar

4.1 Introduction

In this chapter, I investigate the challenges that MFIs face from local actors within the communities, which can hamper their outreach to their clientele. By drawing its insights from the testimonies of men and women from the targeted households, MFI employees and moneylenders in the north Indian states of Uttar Pradesh and Bihar, this chapter explores *what kinds of pressures (persecution/stigma or sanctions) MFIs and their clientele face from different groups within their communities and families*. In doing so, it seeks to answer the first three questions proposed in Chapter 1, namely:

1. *Is the fear of persecution/stigma or sanctions from various actors within a community dissuading potential clients from MFI membership?*
2. *Do interventions from various local actors within the working areas of MFI affect the MFIs' operations?*
3. *Is the opposition to MFIs at domestic level from male guardian and family a deterrent for women who want to opt for MFI membership?*

The chapter is divided into five sections. Section 4.2 will introduce NEED, an MFI operating in northern India, and discuss its placement within the loan linkage programme of India. Section 4.3 will present descriptive statistics on household backgrounds and client profiles. Section 4.4 will provide an analysis of the four components from Figure 3, relating to the clash of preferences in the socio-political spheres, conflicts within the domains of family, how these are perceived by the respondents, how these power relations are played out and what impact it can have on the decision of the HHs women's MFI loan take up. Section 4.5 concludes.

4.2 Network for Entrepreneurship and Economic Development (NEED)

The Network for Entrepreneurship and Economic Development (NEED) started out in 1995 as a non-governmental organisation (NGO). Its initial goal was to mobilise communities and strengthen human resource potential among the poor through interventions in areas such as health, education, vocational training, entrepreneurship skills – and last but not least, the

provision of entrepreneurial capital. Today NEED focuses on microfinance loans to both self help groups (SHGs) and joint liability groups (JLGs), with a client base of about 38000 borrowers in 2011 (NEED 2011). JLGs and SHGs are two of the several lending strategies employed by MFIs worldwide; Appendix 6 provides detailed definitions, including the main characteristics and composition of the two groups. NEED lends mostly to groups of married women between the ages of 18-45 years. These loans are meant to finance income generating activities of the women themselves or of their immediate family members.

NEED's lending methodology was originally replicated from that of the Grameen Bank, but has evolved since its inception, adjusting to the local needs of the institution and its clients. Loan cycles are one year for JLGs and 2 years for SHGs with monthly instalments and a 26 percent interest rate. Loan size ranges from approximately 90 to approximately 275 USD¹ for JLGs, and 275 USD and above for SHGs, with clients gaining access to loans in the upper range as they develop a credit history with NEED. NEED's main sources of funding are large national banks, including the National Bank for Agriculture and Rural Development Bank of India (NABARD) and the Small Industries Development Bank of India (SIDBI), among others. NABARD is the largest provider of a micro loan linkage programme not only in India, but also in the world. Loan linkage programmes provide funds and assistance to MFIs and banks for promoting bank linkages through SHGs to the poorest and most marginalised populations. SHG members are mostly women with a homogeneous socio-economic background who normally do not have access to commercial banks. NABARD defines the profile for SHG membership as an individual from a very poor household whose per capita income does not exceed Indian Rupees (INR) 250 per month/ 3000 per annum (USD 5.4 per month/ 64.6 per annum), with a land holding not exceeding 2.5 acres, and usually from a scheduled caste or tribe (NABARD 2003)² (see Appendix 5-2 for a discussion of scheduled castes and tribes).

Thus, NABARD supports microfinance operations in the form of funders and investors but does not lend directly to the poor. NEED is one among many MFIs supported by NABARD. NEED has a total of twelve branches, nine of which are in Uttar Pradesh and three in Bihar. This focus on two of the poorest states of India made NEED an ideal organisation with which to work, and was a key factor in its selection for inclusion in this dissertation.

¹ Exchange rate (Indian Rupee to US Dollar) dated 18.12.12

² According to the World Bank (2015), average per capita income (GDP PPP) for India in 2012 was USD 124 per month (1484 per annum).

4.3 Descriptive statistics

4.3.1 Sample households and respondent profiles

Table 4.1 presents some selected background characteristics of the HHs surveyed.

Table 4.1; Descriptive background Statistics, absolute numbers, {average}

Household-level background characteristics	Borrower Households	Control Group	Household Total
<i>N</i>	39	16	55
State			
Uttar Pradesh (UP)	28	12	40
Districts ¹			
Lucknow	16	4	20
Sitapur	12	8	20
Bihar (District: Muzaffarpur)	11	4	15
Location Household			
Rural	18	11	29
Urban	21	5	26
Religion			
Muslim	10	3	13
Hindu	29	13	42
Caste			
Lower	14	4	18
Middle	12	4	16
Upper	13	8	21
Living Conditions/ Standard ²			
Very Poor	16	4	20
Poor	13	6	19
Relatively better off	10	6	16
No. of children in Household	{2.17}	{2.56}	{2.28}
Average household size	{6.13}	{7.81}	{6.61}
Education in years (of schooling)			
Female	{3.9}	{5.4}	{4.3}
Male Guardian	{7.2}	{8.3}	{7.5}
Marital Status			
Married	37	13	50
Single	0	1	1
Widowed/ divorced/ separated	2	2	4
Marriages within kin group	2	2	4
Joint family system ²			
Yes	9	13	22
No	30	3	33
Number of Siblings (Natal Family)			
Female	{4.3}	{5.4}	{4.6}
Male Guardian	{4.4}	{4.6}	{4.4}
Female economically active			
Yes	28	8	36
No	11	8	19
Female employed before marriage	5	7	12
Female supports parents financially	5	1	6
Female able to support self and (immediate) family	33	8	42

1. Shows the breakdown of data for the State of UP as in number of HHs per district, such that Lucknow and Sitapur together total to 40 HH for UP.
2. A note on key definitions and clarifications on the classification of living conditions and joint family systems is provided in Appendix 7.

Since NEED has a stronger presence in Uttar Pradesh, roughly 70% of the data represents households from UP and about thirty percent from Bihar. Slightly more than half of the households included in the survey were located in rural areas with a relatively representative sample of all castes along social lines, as rough percentages of each caste grouping in the survey were comparable to state level statistics (see Government of India 2011). About a fifth of the survey households were Muslim and the rest were Hindu households.³ The majority of the households surveyed were very poor, and over 70% of all households were classified as either poor or very poor. The classification of poverty level is subjective and deduced from onsite observation of the living quarters, hygienic conditions, availability or lack of basic facilities like electricity, running water, toilet, cooking and heating facilities, household size, living space available per household member, the condition of living premises and ownership of residence.

For the analysis, the tables and figures in all the sections of this chapter and the following one, in Chapter 5, are a means to provide guidance for the reader. I make use of quantitative and qualitative methods; where necessary the differences between the two groups of the sample will be shown as either significant or not in a statistical sense. Although the analysis relies on individual answers in a qualitative sense, the use of figures is a means to better categorise the data and show the differences between the HHs.

Data on the livelihood status of all HHs showed that a majority of all women respondents were economically active. However, more women from the borrower HHs were working, most having started shortly before or at the same time as their loan disbursement. Interestingly, figures for *women who were economically active before marriage* in the control group were more than three times higher than those of the women from the borrower HHs. This suggests that women from the control group were either unwilling or hindered from continuing to be economically active after marriage even when capable. This will be analysed later in section 4.4. Women from the borrower HHs were also more likely to support elderly parents after marriage, perhaps because they were more financially independent or contributing to their family incomes. The majority of the small enterprises started by borrower households operated in the local market within the sectors of agriculture and cattle, textile and handicrafts, cosmetic services, transport services, food vendors and other retail businesses. Many of the survey households had multiple incomes with women in the rural areas tending to cattle and working in the fields.

³ This is close to state level statistics, where about 19.3% of the total population in UP and about 16.9% of the total population in Bihar is Muslim. Muslims represent about 14.2% of the total Indian population according to the 2011 Census (The Times of India 2015).

4.3.2 Credit background of NEED clients

More than four fifths of NEED's clients stated that loans were used for some kind of economic activity. However, in my interviews about one fifth of the loans were admitted to be misused by the respondents' own statements.⁴ Table 4.2 presents some important statistics on the borrower HHs credit backgrounds.

Table 4.2: Loan specific and banking statistics, absolute numbers, (%)

	Borrower HHs	Control Group ¹	Difference in sample means (p-value of t-test) ²	HHs Total
N	39	16		55
Purpose for which borrowers used loan				
Economic activity	32	-		
Other, misuse	7	-		
(Previous) Loan or instalment outstanding	4	-		
Loan misuse and outstanding instalment	1	-		
Loan size (approx. in USD)³	255	-		
% of loans ≤ 255\$	(51)	-		
% of loans >255\$	(49)	-		
First time loan	11	-		
Loan enterprise main source of income				
Yes	22	-		
No	16	-		
50% household income	1	-		
Income, financial situation has improved due to loan	32	-		
Source of recruitment to MFI⁴				
Self motivation	2	-		
Friends, neighbours	10	-		
Husband	0	-		
NGO, Bank	17	-		
Animators, others	3	-		
Combination of at least two listed above	7	-		
Loan application refusal by a financial institute	1	1	0.02 (0.49)	2
Household has a bank account	26	12	0.13 (0.20)	38
Female respondent has a bank account	16	3	-0.15 (0.15)	19
MFI membership or loans other than NEED	8	0	-0.10 (0.37)	8
Multiple loans	8	0	-0.23 (0.12)	8

1. The blank spaces (-) in this and all following tables indicates that the questions were not put to the respondent or were not part of the respective questionnaires.
2. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs); *p<0.1, **p<0.05 and ***p<0.01 (two-tailed).
3. Exchange rate 1\$= 54.88 INR (daily average 19.12.2012).
4. See Appendix 7 for definitions.

At the time of fieldwork, very few of the borrower HHs had an instalment that was due but had not been paid on time. This was cross checked with the client's records with NEED for verification of open loan instalments. Average loan size for the borrower HHs of

⁴ Loan misuse here means having used the loan for purposes other than that stated in their loan application or stipulated by NEED. For example, some borrowers used their loans for consumption or unexpected expenses.

the sample was approximately 255 USD, with 49 percent of loans being larger than the average loan size. Almost 60% of the borrowers surveyed said that the loan enterprise was their family's main source of income and 82% said that the HH's financial situation has improved due to loan. The most widespread channel for recruitment by NEED as a borrower was reported to be either via direct promotion of NEED's loan officers who were referred to as "livelihood service advisors (LSAs)" or through friends and neighbours recommendation (see Appendix 7 for definitions). NEED's use of social networks and channels for outreach affirms the importance of social networks and community embeddedness in affecting the MFI's activities within communities.

4.3.3 Financial institutes for all of the sample participants

There were clear differences between the averages of the two sub-groups (borrower and control), although these were not statistically insignificant. In general, non-borrower HHs within the sample were more likely to have a bank account than the borrower HHs. However, women within the borrower HHs had more than twice the rate of having a personal bank account than their counterparts in non-borrower HHs (see Table 4.2). Furthermore, about one fifth of borrower HHs also reported being borrowers with other MFIs or credit associations, holding multiple loans from several institutes or MFIs. HHs that were not borrowers with NEED, on the other hand, also did not borrow with any other MFIs or credit associations, even though they were well aware of these institutions and their local operations.

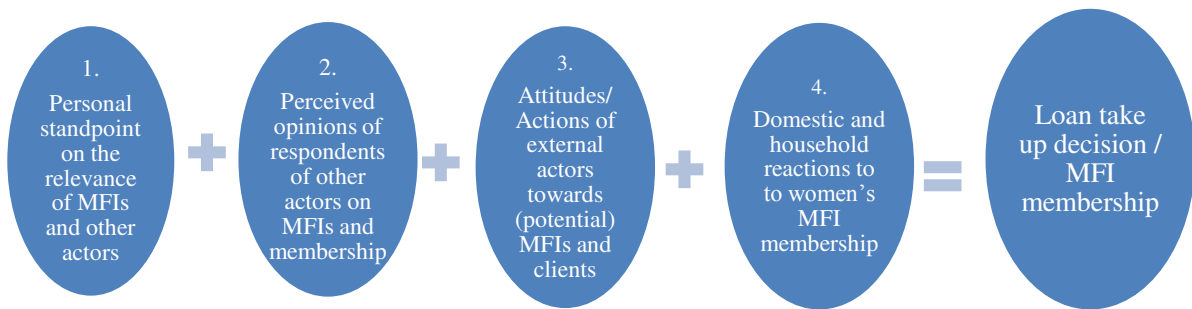
4.4 The socio-political framework, representation of preferences and power struggles

According to the framework outlined in Chapter 3, this section provides an analytical narrative that will analyse and verify the four components, mentioned in Figure 3, that influence the MFI membership decision process. Below in Illustration 1, is the excerpt from Chapter 3, showing Figure 3 that illustrates the four components influencing the loan take up decision and a brief explanation of this.

These four components are to be explored in the following sub-sections to see the subsequent expected effects of these socio-economic and at times politically motivated actions and attitudes of the actors on the incidence of MFI membership.

Illustration 1: The loan decision process

Figure 3: The four components influencing the loan take up decision



The *first* of these components is the respondent's *personal stand point*; i.e., a) what the respondents personally think of the relevance and services that the MFIs have to offer; whether they feel that the MFIs are indeed doing a significant service in offering loans and other banking facilities to the poorer masses and have a very important social function as such. And b) how important are their affiliations to them in various social circles like with their neighbours, patrilineal clan/kinship ties, affiliations of caste, the religious and other communal groups (hereafter *actors*). I argue further, that the viewpoints and perceptions of the respondents on the MFIs and the importance of their social affiliations are formed and instilled in turn by the *second* component, namely the *respondent's perceived opinion of the actors' opinions on MFIs* in general and *MFI membership* in particular. The *third* component is *the attitude/actions of these actors towards (potential) MFI client HHs*; and *fourth* the *domestic or male guardians' reactions to the women's MFI membership*. This whole process is complex, due to the interaction between different components influencing one another and taking place simultaneously.

For this chapter and the following one on the case of Pakistan, the same framework for analysis of the four components as listed in the box above will be applied. I thus put the following hypotheses, derived from the research questions listed above, to the test:

Hypothesis 1: The stronger the power position of men in the family (society), the more difficult is the outreach to women.

Hypothesis 2: The operations of the MFI are negatively influenced by a strong establishment/presence of local traditional moneylenders.

Hypothesis 3: MFI outreach will be more difficult when the feudal structure is very strong.

Hypothesis 4: MFI outreach is negatively influenced when there is fear of persecution, stigma or sanctions from the community and religious factions.

The next sections will analyse the components in Figure 3 above one by one, such that Section 4.3.1 will discuss components one and two, Section 4.3.2 will discuss component three and Section 4.3.3 will discuss component four respectively.

4.4.1 Personal standpoint on the relevance of MFIs and other actors (Component 1); and perceived opinions of respondents of other actors on MFIs and membership (Component 2)

I postulate that social viewpoints on institutions in general and on MFIs in particular gain weight when the HH respondents of the sample explicitly perceive them as *important*. *Important* here basically means that the HH respondents might let their own opinions be influenced by those of the other actors in their communal milieus.⁵ Communal and social ties are vital networks for individuals and families, and offer a last resort in difficult times. These strong social ties require constant care, maintenance and cultivation for harmonious communal interactions. Neglecting or disregarding the opinions of communal actors on private or public decisions of possible interest to others in the community can endanger the social fabric of the community. Thus, to be well integrated and accepted within the community, most members of the community give in and comply with the social and communal norms that dictate the rules of the game in society (cf. Chapters 2 and 3).

Table 4.3 presents survey responses on the importance of social institutions and actors, the first component in the decision-making process to take up a loan. For many of the respondents, from both the sample groups, their social ties and the acceptance of peers and kin within their communities seemed to play a very important role. In addition *biradari* – caste-based or tribal kinship groups or extended lineages – seemed to occupy a vital space in the lives of community members (see Appendix 7 for a more detailed discussion of the *biradari*). As pointed out in the category of religious and community groups, almost four fifths of the respondents noted them as either important or very important in the daily lives of their HHs. Predominantly MFIs were regarded either as important or very important for the provision of affordable credit services by many of the respondents. Nonetheless, the difference in the two sample means (borrower and non-borrower HHs) is shown to be highly significant.

⁵ Wherever necessary, the term “important” has been further qualified to encompass other meanings too, like in the case of MFIs and moneylenders as “service providers”. During the interviews this term was clearly explained to all the respondents and their answers accordingly noted.

Table 4.3: Component 1: viewpoints on the importance of MFIs & other actors

	Borrower HHs		Control Group		Total	Difference in sample means (p-value of t-test) ¹
N	39	35	16	13	103	
Reported by	women	men	women	men	-	
Opinion on the importance of religious and community groups						
Not important	1	8	0	3	12	0.048 (0.70)
Important	29	17	12	7	65	
Very important	7	6	4	2	19	
Opinion on the importance of MFIs for services						
Not important	0	2	1	8	11	-0.48 *** (0.00)
Important	12	21	9	3	45	
Very important	26	11	5	1	43	
Important but should be avoided	0	1	0	1	2	
Opinion on the importance of moneylenders as service providers						
Not important	7	5	0	0	12	0.19 (0.45)
Important	6	7	5	4	22	
Very important	0	1	0	1	2	
Important but should be avoided	24	20	11	6	61	

1. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs);
*p<0.1, **p<0.05 and ***p<0.01 (two-tailed)

In addition, we observe large differences of opinion within the control group. Almost all women respondents from the control group ranked the MFIs as either important or very important, while most of the men from the same category found MFIs not important or redundant. The respondents who found MFIs to be important or very important were of the opinion that the terms of the loan (i.e., interest rates, smaller monthly instalments and the ease with which the loan was serviced) were much better suited to their needs than alternative credit sources (e.g., moneylenders). Many respondents from the borrower HHs said that the loan provided much-needed capital, enabling economic activities that would otherwise not have been realised.

During interviews it was revealed that most of the men from non-borrower HHs, considered borrowing in general as something that should be shunned, and that they personally would be willing to do so only under conditions with absolutely no other alternatives. This sentiment was best conveyed in a statement by a respondent from UP:

“Borrowing is a curse.... once you cannot pay back, then the little respect that we poor have is also taken from us. I would rather sleep hungry, than borrow or allow a member of my family to do so” (interview with male non-borrower, Sitapur, UP).

Elaborating on this comment, the respondent explained that moneylenders and loan officers of MFIs show “little or no mercy” when they want to collect their loan. Poor borrowers who do not have the money to pay when a loan comes due suffer shame and are ostracised from their communities for improper conduct (that is, taking out a loan and not repaying it). This fear of ostracism for non-conformity to proper conduct, losing face among peers in case of non-repayment, seemed to deter many from borrowing from an MFI. As heads of their households, the men were probably the deciding authority in the family regarding loan take up. This suggests that the perceptions of men may have an effect on whether the women opt for a loan or not.

For the second component, it is important to note that actors’ opinions of MFIs are assessed indirectly. The survey measures the respondents’ (both borrowers and non-borrowers) views on the opinion of these actors. It is possible that the same actor’s opinion could be judged or construed differently by different HHs or respondents. Table 4.4 presents the general sentiments on MFIs (as perceived by the HH respondents) from the various actors within their communities, which forms the basis for the second component of decision making on whether to opt for a loan. Now except for the religious community’s foreman and the local politicians, Table 4.4 clearly demonstrates the statistically highly significant differences between the sample means for all other actors MFIs (as perceived by survey respondents within the HHs). Actors who differ in their perceived opinions on MFIs between the sample means include first and foremost the male head of the household, the family (both immediate and extended), but also the community or caste chief, neighbours and peers within the community and the local moneylenders. Unlike the men from borrower HHs, very few men from the control group would approve of MFI membership of the HH’s women. Concurrently, control group female respondents reported a much higher opposition from husbands or male guardians than from any other actors like the immediate and extended family, the community headmen, neighbours and peers and the local moneylenders concerning MFI membership than did borrower HHs.

The relevance of how much the first component (personal standpoint on the relevance of MFIs and other actors) might be influenced by the second component (perceived opinions of other actors)⁶ can perhaps be best demonstrated from the statement of a control group respondent from Bihar:

⁶ This includes the opinions of men within the HHs. Though the opinions of the men within the HHs have a stronger weight, nonetheless men’s opinions are also subject to influence and pressures from their larger familial and communal circles.

“...[generally] we poor people are easily intimidatedso when the extended family or biradari [social kinship sub-classes along castes lines] think that women should rather look into household matters and not waste time with such [all SHG related work to microfinance] activities, then we have to agree” (interview with male non-borrower, Bihar).

Table 4.4: Component 2: General viewpoint on MFIs (as presumed by the respondents) of various actors

	Borrower HHs		Control Group		Difference in sample means (p-value of t-test) ¹
N	39	35	16	13	
Reported by	women	men	women	men	
Husband/ male guardian (would) approve(s) of MFI membership	34	32	1	1	-0.84 *** (0.00)
Immediate family (would) approve(s) of MFIs	32	20	3	3	1.10 *** (0.00)
Extended family's opinion of MFI membership					
Positive	18	12	3	2	1.10 *** (0.00)
Indifferent	13	19	5	5	
Negative	8	2	8	5	
Community or Caste chief/ headman's ² opinion of MFIs					
Positive	20	17	5	4	0.53 *** (0.00)
Indifferent	13	12	4	2	
Negative	5	4	7	6	
Neighbours'/ peers' stand on MFI membership					
Positive	23	18	4	3	0.67 *** (0.00)
Indifferent	11	12	4	4	
Negative	5	3	8	5	
Religious community/ foreman's opinion of MFI membership					
Positive	16	11	4	4	0.11 (0.44)
Indifferent	17	16	9	6	
Negative	5	6	3	2	
Local politicians/ Feudal lords opinion of MFI membership					
Positive	10	6	4	3	-0.11 (0.35)
Indifferent	24	23	12	8	
Negative	5	4	0	1	
Local moneylenders/ traders opinion of MFI membership					
Positive	7	4	0	0	0.44 *** (0.00)
Indifferent	11	7	3	0	
Negative	21	22	12	12	
Government employees opinion of MFI membership					
Positive	0	0	0	0	-
Indifferent	36	32	16	12	
Negative	0	0	0	0	

1. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs); *p<0.1, **p<0.05 and ***p<0.01 (two-tailed).
2. See Appendix 7 for a definition.

The statement possibly illustrates two important things. First, the lower economic (and potentially social) standing of the HH is one reason why HHs might be intimidated into compliance by their *biradari*. Second, it is quite possible that the male head of the HH compensates for this relatively weak position within his society by imposing his authority upon his female counterpart within the HH, where his authority might not be questioned.

Contrastingly compare the statement of this respondent from UP:

“I faced a lot of opposition from my family and clan members initially over my wife’s membership with NEED, however, my wife kept assuring me that our embroidery business will benefit from the loan and we would have more work...which finally made me to stand up against all the others and allow my wife to opt for [MFI/ NEED] membership”, (interview with male borrower, Sitapur, UP).

Comparing the latter statement with the former, it is clear that the support and consent of the male guardian is the critical influence on loan take up, even when there is opposition from the wider family and social circles. However, it is important that the male guardian feels secure and is assured that his male authority within the HH will not be challenged.

From the interviews there was a clear pattern in many of the borrower HH’s familial and societal surroundings. Most of the borrower HHs who had been with NEED for over a year had in fact seen an improvement or a change in the opinions of the people regarding MFIs within their social circles over time. In any case, the figures and statements seem to suggest that for the borrower HHs of the sample, most of the actors within their immediate circles either approve of MFI membership and assume a positive stance on MFIs, or at worst are indifferent to them.⁷ According to all HH respondents in all samples, these actors are linked by important social ties to HHs and their families. Therefore it is quite probable that HH opinion would be subject to influence from them regarding MFI loan take up if and when there is a need for one.

Regarding moneylenders, a majority of all respondents, regardless of status or gender, reported that though their services were important they nevertheless “should be avoided” (Table 4.3). The reason is that in emergencies they are the only source of guaranteed and speedy cash, even if on exorbitant and exploitative terms, as one respondent commented:

“.... [moneylenders] offer a service which is unmatched by any other [credit servicing agency]....one can be in need of money in the middle of the night or for

⁷ As mentioned with the exception of the religious community’s foreman and the local politicians from among the actors.

any reason, the moneylender will provide you with credit without questions asked...even if it is expensive, those in need are indifferent to the conditions at that point in time” (interview with male borrower, Lucknow, UP).

This suggests that the moneylenders were serving a wider market of borrowers who do not all qualify for MFI loans. This renders moneylenders important service providers for cash when other alternatives are not an option. One moneylender from Sitapur, who had multiple businesses running, owned much land and was a local politician and a moneylender all at the same time said:

“...I [am] forced to lend money when people come to me in times of need....no one else would lend to them” (interview with moneylender, Sitapur, UP).

Many of the HH respondents of the survey had similar sentiments which are best reflected in the following statement made by one of the NEED branch managers:

“...[moneylenders] serve a market that MFIs might never cater to, as they will lend right away, for any purpose and at all hours....because then they also know that they can use all means to extract their money....without any regard to borrowers condition”, (interview with development manager, Sitapur, UP).

While this suggests that there is no competition between the moneylenders and MFIs, rural moneylenders might still be indignant if MFIs take the most desirable clients. There is more at stake in the stance of the moneylenders towards the MFIs than just direct lending competition. For example, MFI loans usually also serve as a source to pay back loans from moneylenders on time. By breaking the cycle of continual indebtedness, this threatens to bring the moneylenders' stranglehold over their clients to an end. This issue will be discussed in more detail in the next section, which examines the actions of actors towards MFI staff and clients in more detail. Moneylenders benefit from their clients not only from the interest on their loans, but also in other ways. This was explained by another moneylender in Sitapur, with the largest loan portfolio of all the moneylenders interviewed, who was also a powerful and rich landowner:

“....since these MFIs turned up, I cannot be selective in lending to the people who come to me. I charge interest from those who can afford it and those who can't, have to work on my lands for a maximum of 50,-INR [0.91 USD] a day until the money is worked off.....I am still at the losing end as those who come to me are not the most able bodied [to later work off the loan on his land]” (interview with moneylender, Sitapur, UP).

According to the NEED manager, the moneylender charged a minimum of ten percent interest rate on a monthly basis (effective interest rate of 120% annually) for loans. In most cases borrowers were unable to pay this back and had to work on the moneylender's fields longer to account for the principal plus interest on their loans. Their daily labour was counted against the loan at half the rate of what he would have paid a normal, non-indebted labourer.⁸

The wages that this moneylender was paying for the labour on his land was far below the market rate. Yet the moneylender expressed his displeasure at the "quality" of the labour acquired like this. According to him, usually "better quality" labourers were not reliant on him for work or loans as they had other sources for credit (MFIs) and/or work.⁹ NEED had failed to establish any lending activities in the village of this particular moneylender, according to the NEED manager; an effort years earlier failed miserably. This was mostly because the village inhabitants had avoided taking out loans due to the moneylender's wrath, but also because the clients were not disciplined enough in their regular meetings or instalment payments. After an initial pilot phase, NEED had wrapped up its activities in the village, leaving the moneylender as the only source of credit for the villagers. It was not clear, however, whether the moneylender had directly threatened the people of the area to discourage them from taking out loans. In this particular case, none of the villagers were willing to say anything about the moneylender even when asked explicitly.¹⁰ In addition, there were no other MFIs in the village, so that no comparisons could be made. However the moneylender's open views on MFIs and the uneasiness of the villagers to comment on the moneylender/landlord is an interesting indicator in itself, keeping in mind that any alternative sources of credit from MFIs was most probably an unwelcome option for the moneylender. My interpretation of the situation was that the moneylender had the benefit of living in and among the community, and that this gave him an added advantage of exercising more pressure on his clients than could the MFIs. Moreover, the moneylender had more freedom in using mechanisms of coercion to induce discipline with repayments. The MFIs, in contrast, could not exercise this option for ethical reasons.

Thus, the moneylender would be better off without any MFIs in his immediate or neighbouring vicinities, as the local populations would then be reliant upon him for loans. As

⁸ In comparison, the daily wage rates in agricultural occupations in rural India for 2009 ranged from 70 – 131,- INR (1.3 – 2.42 USD), depending on the type of agricultural work (ploughing, harvesting, sowing, weeding etc.) and gender (Ministry of Labour and Employment 2011).

⁹ Most MFI clients were also leasing land from loans for their own agricultural produce. This left them less reliant on work from large land owners on miserable terms.

¹⁰ Note that none of the villagers from the moneylender's village were part of the survey sample, as they were not current NEED borrowers. The additional efforts to probe the villagers with questions were simply to get more information on lending practices and options in the village.

they would probably not be able to pay these off without other sources of lump sum cash, this situation would leave them only the option of supplying cheap labour, working the moneylender's lands for wages well below market rates. Note also the respondent HH's opinions on how moneylenders react to and think about MFIs in general, as depicted in table 4.4. Almost two thirds of all the respondents, regardless of borrowing status and gender, reported that moneylenders have a negative attitude toward MFIs, and that they openly demonstrate to their clients and indirectly threaten not to lend if clients go to MFIs. No other actors, whether part of a community, religious or a government representative group, were systematically reported by the HHs interviewed to have such negative opinions of MFIs. For the respondents, it was clear that once they opted for a loan from an MFI, they might no longer have the option to turn to the moneylender when in financial need. One could argue that an MFI might even benefit from such a scenario. If a client with repayment obligations simultaneously has repayment obligations with a moneylender, he or she will probably find it difficult to pay back both, and will prioritise repayment for the moneylender. Nonetheless, the fact remains that for many, not being able to borrow from a moneylender could be very problematic, as there would be few (or no) other ways to cope with financial emergencies and unforeseeable needs such as death, illness or the need for medical treatment. The HHs took these threats quite seriously and this attitude of the moneylenders towards the MFIs and their clientele was presumed to mean an end to their potential borrowing from the moneylender when in financial need. This pattern of behaviour by moneylenders is not case-specific and has also been widely reported and documented in Bangladesh, Pakistan, and other parts of South Asia (see Ilyas 2015, Baloch 2013 and Hashemi and Schuler 1997).

From the discussions in this section on how the respondents feel and view both the MFIs and the various actors within their social circles, it seems that there is an inclination to be partly influenced by the opinions of the various actors within communities. Beyond this, the perception towards borrowing in general plays an important role in determining whether or not a HH opts for loan from an MFI or not. Conformity to appropriate behaviour and fear of losing face among peers and caste members in case of non-repayment of loans in close knit communities deters many from borrowing from an MFI. The relationships maintained by the HHs within their familial and social networks like extended family, caste members, neighbours and peers and even moneylenders are of much importance to the respondents, and probably the opinions of the members within these networks cannot be totally ignored. Of these, most important were the male counterparts within the families, lack of support from whom may most definitely cause the women to refrain from an MFI membership. However,

backing from the male head of the HH usually makes all other influences from other social actors secondary. To many HHs the threat of cutting off credit possibilities from the moneylender, if the moneylender takes an oppositional stance to MFIs, is also very real. For many HHs the threat of losing future credit from moneylenders can be serious enough for them to reconsider their options of MFI membership.

Having reviewed evidence for components one and two from Figure 3, the next section discusses the third component, namely the actions of these actors towards (potential) MFI client HHs.

4.4.2 Attitudes and actions of external actors towards MFIs and (potential) clients (Component 3)

The opinions that the various groups harbour regarding MFIs and their clients within the surveyed communities can be evaluated by their attitude towards the (potential) borrowers and employees of MFIs. Any kind of threats, warnings or provocations that might have been encountered by any of the respondent HHs of the sample is presented in Table 4.5 along with borrower status information within the HH's community. This outlines the basis of the third component of the decision to take out a loan.

Table 4.5: Component 3: MFI borrower information and threats/ warnings/ provocations encountered by the respondents

N	Borrower HHs		Control Group		Difference in sample means ¹
	women	men	women	men	
Reported by	women	men	women	men	
Male guardian/ husband knows of borrower status	37 ²	35	-	-	-
MFI status confidential (not made public to peers in the larger community)	3	2	-	-	-
(Potential) MFI membership has been a cause of threat/ provocation from					
extended family	4	1	4	2	0.14 **
community chief/ headman	0	0	3	2	0.17 ***
neighbours/ peers	1	1	2	1	0.07
religious factions	1	2	3	1	0.10 *
local moneylenders/ traders	6	3	0	0	-0.12 **
public officials	1	0	1	0	0.02
local politicians/ councillors	1	0	0	0	-0.01
other MFI loan officers	4	3	0	0	-0.09 *

1. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs); *p<0.1, **p<0.05 and ***p<0.01 (two-tailed).
2. The two male guardians not knowing of wife's borrower status had deserted their families according to the women interviewed. In one case, the husband has been missing for 12 years and the son was the loan nominee. In the second case, the husband was abusive and violent and had been kicked out of the house by his wife and children who fended for themselves and had a woodwork business, financed by a NEED loan. Male nominee was the borrower's son.

As discussed in the previous section, borrowing in general is an act that many are rather uncomfortable with. This was explicitly depicted in the responses of five borrower HH respondents, who wanted to keep a low profile by keeping their borrower status confidential to their extended family and peers. This was corroborated by the employees of NEED (see Table 4.6), who said that some members preferred to hide their MFI membership status from their families or relatives. From the interviews it became clear that considerable stigma was attached to the act of borrowing. Many respondents automatically assumed that borrowing pointed to living beyond ones means, and assumed that their neighbours and peers would hold this view as well. In turn, this association threatened to tarnish the family's credibility in the long run. In other words, the perceived danger was that community members, peers and neighbours would look down upon a family seen to be risking its credibility by borrowing, which would eventually displace that family's social stature within these social milieus. Given this context, the action of wanting to hide MFI client status for fear of reputational damage or displacement of social stature is therefore in line with the general perceptions on borrowing within their communities.

Furthermore, respondents from both the borrower and non-borrower HHs reported having encountered threats and warnings, of one sort or another directly from their extended families, community headmen, neighbours, peers, the religious faction, moneylenders and loan officers of other MFIs. However, local moneylenders and loan officers of other MFIs were reported to be more active in threatening and intimidating the actual MFI (NEED) clients, whereas for all other actors, the control group HH were more affected. The differences in the two sample means between the two HH groups regarding such intimidation from extended family, community headmen, the religious faction, the moneylenders and loan officers of other MFIs were also statistically significant. For respondents from the control group HHs, these intimidating encounters were seen as a preventive and precautionary act from all such actors seeking to dissuade a potential loan take up from an MFI by the HH. The borrowers, on the other hand, were rebuked outright by actors within their social milieus for borrowing from MFIs.

Acts of intimidation, as reported by the respondents, included anything from verbal threats, disputes, quarrelsome attitudes, warnings of sanctions and isolation from family, community and caste members to physical intimidation. Such acts did not have to be violent or vehement, yet the recipient was sensitised to the cues for consequences that might follow. The following statement from a respondent from Sitapur explains the way that these sanctions operate:

“...my husband’s disposition [regarding MFI membership] is not as harsh as those of his extended family or of our community [chief and men]....my husband is scared of the consequences [of the community’s angered members] in case we were to defy their wishes [meaning refrain from joining a credit group]” (interview with female non-borrower, Sitapur, UP).

In general, women respondents reported a higher rate of such provocations and threats from the extended family than did men. Upon further probing, it was revealed that the “community members” that the respondent(s) kept referring to were mostly senior men from their family and caste members. Non-borrower HHs also reported confrontation with their community heads who were strongly opposed to the idea of borrowing with MFIs because they were of the opinion that MFIs distract women from their traditional obligation of caring for their families. According to one respondent:

“The men of my community are of the opinion that all [the obligations] that come with an MFI membership like weekly or monthly meetings are a waste of time and distract women from their first and foremost obligations of serving their families” (interview with female non-borrower, Bihar).

This sentiment was echoed by another respondent who exclaimed that *“...if she [his wife] were to waste all her time with these useless meetings of the SHGs, who would prepare the meals for me when I come home from work or take care of the children and family”* (interview with male non-borrower, Lucknow, UP).

SHG meetings can take quite a lot of the women’s time. Meetings take place weekly to fortnightly. At these meetings, which are obligatory for all members, all matters of concern to the 20-25 women members are discussed, savings collected and loans, if any, disbursed. In contrast, JLG groups meet only once a month for collections or payment of instalments. All the members do not need to appear at the branch office in person; instead, members can take turns to collectively bring in the instalments of the other members along with theirs. However, SHGs have a much broader social agenda, and thus have a greater overall impact on the women who take part (and also on their children), as they address other social issues and woes, whereas JLGs are formed only for the sole purpose of credit (see appendix 4.1 for details on the structure and functions). Since it is easier for the MFI and its clients to manage communal pressures better when it comes to women’s time allocation, NEED too has changed tracks, focussing more on JLGs than on SHG lending methodologies. This is yet another sign that MFIs have to adapt to the perceptions and preferences of local actors to target their clientele.

A lot of the men within the communities were of the opinion that the loans from MFIs were a cause of disruption in the “natural” flow of family affairs. They were of the belief that the women’s first obligation is seeing to the comforts of the other family members, and expressed the opinion that this obligation came before her decision for a loan for some economic activity that might not only bring her more financial independence but also benefit the family in terms of income. These conservative opinions regarding women’s roles within households and communities is a clear indication of considerable potential for strife and confrontation if the women were to still opt for a loan despite opposition from immediate or extended families or peers and community members. The time that women invest in the group meetings required by MFIs, or in the economic activity undertaken with the support of the loan, inevitably comes at the cost of time that they normally spend in unpaid household work, like preparing meals, taking care of the family and children and attending to other domestic chores. The norms of family lifestyle and the respective gendered roles within the HHs were a central theme amongst many of the respondent conversations during interviews. This was also one reason why many of the control HH women who were employed and had an income before their marriages (see Table 4.1) did not continue working after their marriages, despite the fact that many of them wished to do so. The perceptions of the family and of the men of the family in particular, were decisive eventually. The fact that the women’s willingness to take out a loan for an economic activity, or work after marriage for that matter, would eventually contribute to the family’s income and the general well-being of the HH’s children seemed to be secondary. The concerns over women failing or falling short of their primary obligations to their families were paramount.

Intimidations from the local religious faction, preacher or foremen were reported mostly from the Muslim HHs among the control group, due to the fact that Islam prohibits interest-based loans and local religious leaders therefore deem them as un-Islamic. Indeed, all the respondents answering in the affirmative for intimidation regarding MFI membership from the religious foremen of their communities in Table 4.5 above were Muslims. Thus this resistance to MFIs on behalf of the religious groups is justified on ideological grounds and is much in line with the theoretical argumentations as presented in Chapter 2.

Borrower HHs also reported being harassed or verbally threatened by the loan officers of other MFIs operating in their areas, presumably in trying to dissuade them from borrowing further with NEED. According to NEED clients, employees of other MFIs operating in the same areas as NEED were among those who harassed them and spread misconceptions about

NEED operations.¹¹ Loan officers and NEED staff, however, denied engaging in any such activities themselves towards their competing MFI staff members, who covered the same villages and operational areas. Such harassments from rival MFIs were, however, not the only examples of cutthroat competition. Most of what the HHs had to report on such unpleasant demeanour from the various actors, like employees of other MFIs or moneylenders, towards them was (at least partly) also confirmed by the loan officers of NEED. In particular, 7 out of 10 loan officers explicitly reported moneylenders hindering them in their work when in the field (see Table 4.6). Within this context one loan officer reported:

“.... moneylenders have no license for officially lending money on commercial rates, so they are wary of us – and since they are mostly influential men, their devotees are always ready to provoke and cause trouble – like spreading misconceptions about NEED, thus creating extra work for us” (interview with development manager, Sitapur, UP).

Note that private money lending is regulated and illegal in India unless registered (see Verma 2014). NEED employees in the field reported of agents-cum-goons engaged by moneylenders to spread negative propaganda regarding their activities, which meant that NEED employees had to put in additional work educating communities and dispel the negative impressions created by this propaganda. For the employees of competing MFIs and moneylenders, perhaps such acts of discrediting NEED’s reputation were simply a means to hamper NEEDs operations in the hope of extending their own operations or winning over more clients. This might appear short-sighted of rival MFI employees, as it damages impressions of the microfinance sector as a whole. Nonetheless, reaching their personal targets of winning over clients might be a priority that entails financial compensation for individual employees, giving them additional incentive to prioritise building the client base of their own organisation over the long-term image-building of the sector.

The case of moneylenders here deserves special attention. According to one loan officer’s statement

“....my client was forced to use his loan from NEED to pay off an older loan of the moneylender...[the moneylender] also intimidated my client with never ever coming to him for a loan again because he now borrows from NEED” (interview with NEED loan officer, Sitapur, UP).

¹¹ This spreading of misconceptions included, but was not limited to, maligning the company’s image in areas where local populations are more or less ignorant or scarcely informed of the larger agendas of community development NGOs or MFIs like NEED. This local lack of information provided ample opportunities for goons to spread bad publicity for competing MFIs through word of mouth.

Other NEED employees also reported loan misuse (use for reasons other than the one stipulated with NEED) due to the need to pay back loans taken out from moneylenders. One might also argue that this is an issue of careless screening regarding the intended purpose of the loan on the part of MFI loan officers. Nonetheless as already touched upon in the last section, it is important to understand that when moneylenders get their loan repayment back on time, this means that they lose the ability to negotiate exploitative repayment terms to their own advantage with their clients. In other words, it is quite possible that when moneylender loans are paid off in time via loans from NEED or other MFIs (even if it is loan misuse for the MFI), it will end the power of the moneylender over the borrower, resulting in a financial loss or loss of power for the moneylender. Thus the negative stance and the resulting actions of the moneylenders toward MFIs become comprehensible when one considers that their preferences lie beyond direct lending competition with the MFIs.

Varying attitudes towards MFIs were dealt with differently by the respondents. The respondents from the borrower HHs had a much more pragmatic attitude to threats from several actors within their social circles. In general, they were less intimidated by such issues as loss of face or fear of moneylenders or loan officers of other MFIs, although they were aware of these threats. Also, most of the male respondents from borrower HHs were less restrictive in their attitudes towards women, their daily activities and roles, leaving the women more freedom in deciding their daily routine. Control group HHs and the women of these HHs in particular were, however, seen to be more restrained by patriarchal forces within their social circles.

On the provider side, NEED employees have also had to encounter trouble in delivering credit services to their targeted clients. Table 4.6 presents some statistics on challenges from various groups that NEED employees faced when working within the communities. As already mentioned, moneylenders topped the list of troublesome actors identified by NEED employees. They were followed on this list by family members of borrowers, loan officers of other competing MFIs and the religious factions. Moneylenders were mostly reported to be indirectly involved in hindering the loan officers' activities in the communities. The main targets were always the clients, who were harassed or intimidated in different ways. According to NEED loan officers, when they confronted the moneylenders regarding harassment of their clients, the moneylenders would simply deny having said anything to the borrowers. According to NEED staff there was little that they or the borrowers themselves could do to counter such behaviour.

Table 4.6: Responses from NEED employees concerning problems/ hindrances they face

N	10
When in the field always cautious/ wary of attitude/ surroundings/ people/ language	8
Have faced difficulties/ were hindered in approaching clients from different groups	10
Has encountered clients preferring to keep membership secret from extended family/ neighbours/ peers	4
Groups specified as causing trouble/ difficulties that hinder employees in their work	
Moneylenders	7
Family members of the borrowers	3
Loan officers/ employees of other MFIs/ banks	3
Members of the religious faction	2
Officer has had clients hindered in paying instalments due to external (third party) influence	7
External influence (third parties) specified via client complains as hindrances in timely instalment payments	
Family	4
Peers/ neighbours	3
Moneylenders	2
Loan officers/ employees of other MFIs/ banks	1
Trouble or support from government agencies in general	
Trouble	1
Support	0
None	9
Specification of government agencies/ employees who cause trouble	
Government officials in the bureaucracy	1

Many loan officers also reported that family members of borrowers would sometimes intimidate the women into not paying the loan instalment when it was due, even when she had put aside money for the instalment to pay back. This created a most difficult situation for the women borrowers, as proving their honesty and loyalty to NEED meant having to disobey the head of the HH, who would usually be her husband or a senior family member. According to the loan officers of NEED, the family members of their clients usually feel that not paying back MFI loans would not entail any sanctions, as only the women are directly responsible for the loans and the money set aside for loan instalments can be put to other uses within the family. Due to this issue NEED, ironically, has had to institute the requirement of having a male nominee, ideally the husband, for every loan issued to a woman within the HH. The reason behind this requirement was stated by NEED management and staff as a strategic practicality. Without this measure, they felt that women would probably be pressured into taking up a loan and in case of non-payment be held accountable for it even when not directly at fault. Senior management indicated this to be a common practice among regional and national MFIs in India. Imposing the condition of a male nominee for a micro-credit was meant to generally curb the attitude of free riding and not taking the loan undertaking seriously as it comes through the women. The family members might be short-sighted and only hope to get away with non-repayment of the instalments, with or without the women borrowers consenting to such behaviour. Also it would be easier for the women who have

borrowed to simply blame the rest of the family in case of non-payment. Yet, this widely practiced male nominee conditionality by MFIs would seem to fall far short of the women's empowerment typically touted by the industry. It implies that women who do not get the support of a male guardian as a nominee, or who do not have a qualifying male family member, are not eligible for an MFI loan. This issue is further discussed in the next section when the fourth and most important component, namely opposition to MFI membership at the HH level, will be discussed.

Other incidents of trouble reported by the NEED employees were smaller incidents involving the local politicians or ministers (called "Pradhan," or a member of the *Panchayat* or village council), their followers or other individuals like the local traditional healers or doctors. These groups were mostly opposed to the work of MFIs or NGOs in general, as they are doing a lot of advocacy on social awareness programmes. These programmes, of which NEED was one, influence the positions of people within the communities, and lead them to demand accountability rather than to blindly follow authorities within their communities. For example, traditional local quack doctors or mid-wives who were hardly trained as health professionals, would offer medicines and medical advice to the illiterate poor and extort money from them for illegitimate pregnancies, keeping the information confidential, or performing illegal (late term) abortions. The fear of losing the honour of the affected victims, who are unmarried young women in a conservative society, led many from among the local population to pay these quack doctors for their services. With the awareness programmes of NGOs and MFIs, the citizens were better informed – not only about contraceptive methods, but also of their rights and the proper places of help that they could approach without being coaxed into a compromising or vulnerable situation.

It is likely as well that local politicians and councillors were more often confronted by the local public for the neglect of local infrastructure facilities within their jurisdiction and were held accountable for any embezzlement of funds. Before such social awareness programmes, few challenged the state of affairs. However, an uptick in awareness and challenges to corrupt authorities led these authorities to push back against MFIs and all their operations. On many occasions NEED was also active in reporting government employees within the bureaucracy or the rural banks for misuse of their public authority for personal gain. One incident reported was that of a government official who hoarded ration cards meant to allow the poor to purchase utility services from the government licensed utility provider for the poor. He would then sell the cards on the black market at higher rates. Many NEED clients were affected, as the ration cards are a means of getting good quality utility goods at

subsidised rates. Such incidents, when an MFI was involved in reporting malfeasance by authorities caused agitation and anger from those who were used to benefitting from such corrupt schemes.

Thus one can conclude that much of the opposition to NEED operations was due to their support for their clients, which extended beyond financial service provision to advocacy and awareness of basic rights and means of self-help. The services that they offered helped the (potential) borrowers within the communities to avoid many vulnerable situations. At the losing end, however, were all those who had something to lose from shakeups in the status quo – whether financial loss, loss of public standing, loss of power or simply being held accountable for misuse of official duty.

4.4.3 Domestic & household reactions to women's MFI membership (Component 4)

Up till now, the bulk of the discussion and analyses has focussed on perceptions and actions of the wider social surroundings of the HHs. This section will further discuss and analyse the fourth and effectively the most important component of the decision process for taking out a loan, namely reactions and attitudes within the immediate family circle, especially of men towards women's MFI membership.

As already mentioned, NEED's lending policy is that loans can and will be *only* issued conditional to a male nominee for the loan. This is considered legitimate on the grounds that in a patrilineal society like (North) India, the consent of the family head not only safeguards family harmony and ensures the timely return of the loan, but in case the women should default, also holds the head of the HH accountable. However, this does not change the fact that women aspiring to greater economic independence via investments in their small enterprises will have no recourse should their male guardians refuse their desire to access credit. In addition, as per NEED's policy, only married women are considered for a loan, because if the woman were to marry and move in with the husband's family, the in-laws might object and hinder the women from paying open instalments. Thus single women are also discriminated against, while without male consent, even a married woman is not able to take out a loan for an enterprise that she might want to run, independently or jointly.

Take for example the case of the young daughter of one of NEED's clients in Bihar, whose statement was quoted in the introduction of this thesis. The young woman (in her early twenties with two small daughters) whose mother was a client with NEED, had been sent back to her parents' home in Bihar after the birth of her second daughter, due to the desire for a male child by her husband and in-laws. Although young, healthy and able-bodied, a skilled bangle maker working in her parents' bangle making micro business from home and willing

to expand with a loan of her own, she did not qualify for a loan from NEED. Although her father and brother in the HH were willing to pledge as a male nominee for her, she did not qualify for a loan, as her husband was not around to support her loan application. A loan from an MFI would help her expand the family business and earn more, yet not only NEED, but all local MFIs, would not consider her as an eligible loan candidate.

Table 4.7 lists some statistics regarding male nomination and domestic disharmony due to MFI membership. Though by now established, still the table lists the male nominee obligatory condition along with the relationship of the male nominee with the MFI client.

Table 4.7; Male nomination, domestic violence/ conflicts and MFI membership

N	Borrower HHs		Control Group		Difference in sample means (p-value of t-test) ¹
	39	35	16	13	
Reported by	women	Men	women	men	
Male nominee condition obligatory by the MFI for issuance of loan	39	35	-	-	-
Husband male nominee for MFI loan	35	-	-	-	-
Physical and verbal violence common in household	14	8	9	3	0.11 (0.26)
Conflict/ domestic disharmony in household due to (desire for) MFI membership	8	6	7	7	0.34 *** (0.00)
Relationship between the respondents has deteriorated due to (desire for) MFI membership	6	3	5	2	0.14 * (0.08)
MFI membership (perceived) as means to more economic strength and way to deal with marital violence	5	-	4	-	0.12 (0.27)
HHs where violence was already present before MFI membership and the level of violence/ HH disharmony has gone up post MFI membership	9 ²	-	-	-	-
Physical/ verbal violence from family members other than the male guardian due to (desire for) MFI membership	5	-	4	-	0.12 (0.27)

1. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs); *p<0.1, **p<0.05 and ***p<0.01 (two-tailed).
2. Note that about half of the HHs in this category where violence was reported to have gone up was due to the husband's excessive alcohol consumption. With the income from the MFI loan, the main point of conflict was the husband's demands of wanting to spend more of the HHs income on alcohol.

Responses from both sample sub-groups reveal that there is conflict and domestic disharmony due to MFI membership or a desire for it. Women respondents from both sample sub-groups also reported that their relationships with their male guardians had deteriorated due to the loan or expressing the wish to take out a loan, and that they had encountered violence from family members other than their male guardian. Some respondents, from both the sample groups, also saw their (potential) MFI membership as a means to more economic strength and way to deal with marital violence. For this, a combination of questions were put

to the respondents. The respondent was asked if a (potential) MFI membership would help them deal with marital violence basically because the women would be less dependent on husband economically. According to one respondent in Bihar:

“I had to force my husband into signing the loan application after he sold 3 bighas out of the 8 bighas ancestral land that we had for alcohol consumption,.....I wanted to use the loan for cultivating parwal on the land to feed my five children and us before he sold off the rest of it as well....my husband gave in because we were starving and because I had had enough; but he is very upset at my attitude of putting up a fight with every liquor vendor in the village not to sell alcohol to him and overpowering him.....and even now I am afraid at night that he will beat me up, so I always have a male relative staying over to avoid such a fate”¹² (interview with female borrower, Bihar).

Another borrower explained her husband’s ambivalent stand on her MFI borrower status:

“...he is quite aware that the additional income we have due to the loan investment in cattle is helping us meet ends, but he is still very unhappy about the fact that now I have started to take decisions on how and what to spend and do not ask him constantly for money for the HH’s expenses the way I did before” (interview with female borrower, Lucknow, UP).

Thus even when men give their consent to their wives to take out a loan, they are not always content with this decision, even though the extra income generation from the loan is helping the family. This discontentment is demonstrated by bouts of quarrelsome or vexed behaviour towards their wives, mostly for wanting to share decision-making on financial issues in the house (among others, spending less on alcohol) or enjoying small freedoms that they did not have before. This would also explain why the number of HHs where the level of violence has gone up after taking out a loan is higher than the number of HHs where women saw MFI membership as a means to more economic strength and a possible way to deal with marital violence. The following statement from one respondent in Lucknow helps demonstrate the point further:

“....he [husband] used to get upset and abusive before [the NEED loan] when I asked him for money for the households expenses, but now that I do not ask him for money because I earn enough to run the house with the provision store [set up with

¹² Bhiga is a traditional unit of measurement of area of a land commonly used in several parts of India, and varies in size from one part to another. In Bihar, 1 bigha is equivalent to approximately: 27232 sq. ft or 0.625 acres of land (Land Zone 2012). *Parwal* is a local vegetable produced in North India and commonly sold on the local markets.

the help of loan], *he gets upset and angry [violent] because he feels that we [wife and children] do not respect him enough*” (interview with female borrower, Lucknow, UP).

The respondent above refers to her husband’s inability to provide financially for the family before the loan was taken out for her small provisions store. The earlier bouts of violence were due to his helplessness, pressure or inability to look after his family. The more recent violence after the loan and financial support for the family due to his wife’s income, however, seems to be a result of his frustration, insecurity and failure to stand up to his responsibilities as head of the household in the wake of his wife shouldering what he should have.

The scenario for several such HHs was very similar. Men seemed very insecure in their traditional roles as heads of the HHs. Due to the change in the income status of their wives, men were probably not being asked or waited upon to take all important and petty decisions the way they expected their wives and families to do, and therefore resorted to aggressive behaviour towards their wives and families. A differentiated pattern, however, is worth mentioning here. Most respondents from the borrower HHs who were clients with NEED longer than a year or two, admitted that over time this attitude of men towards their wives had eventually improved. This may have occurred because the men realised that women assuming a decision-making role does not necessarily lead them to revolt against the traditional societal status of the men.

The same could not be said for the non-borrower HHs. Note that the differences in the two sample means for responses regarding conflict and domestic disharmony and eventual deterioration in marital relationship are statistically significant (see Table 4.7). This shows that the attitude of men from the control group HHs were more rigid than was observed in borrower HHs. One could well argue that the change in the attitude of men towards women’s decisions and choices of MFI membership were also a result of the women having realised their desire to attain a loan and start a business. Thus for the women from control group HHs who had not been allowed to realise their desire of opting for a loan, the attitudes of the men remained unchanged and rigid.

The incidents where women from both sample sub-groups faced violence from family members other than their husbands or male guardians were women in HHs where the male guardian or the husband was not necessarily the head of the HH and families were extended and living jointly. The perpetrators of the violence inflicted on women were senior members within the family, usually in-laws, both male and female. Table 4.8 lists statistics on the disposition of power positions within the HHs. The frequency of control group women living

in joint family set ups where their husbands were not the head of the HHs is much higher (see also table 4.1 on joint family figures for both sub groups). This meant that these women (and their husbands) had to take into account the opinions of further family members, who were much higher in the familial hierarchy and living under the same roof, regarding MFI membership.

In general, responses from the interviews indicate that women in the borrower HHs had relatively more freedom of self-determination, were subject to fewer restrictions from their husbands and families, were less intimidated by their spouses and were more mobile compared to their counterparts from the non-borrower HHs. For all these categories, the differences in the sample means were also statistically highly significant, as shown in Table 4.8. For example, three quarters of borrower women reported that their male guardians would allow them to improve their education in comparison to just over half of the women from the control group.

Table 4.8: Power positions, interpersonal attitudes and intra-household dynamics

N	Borrower HHs		Control Group		Difference in sample means (p-value of t- test) ¹
	39	35	16	13	
Reported by	women	men	women	men	
Male guardian is the head of household	34	-	10	-	-0.25 ** (0.03)
Respondent has a say in how earnings are to be spent	36	28	8	11	-0.15 ** (0.04)
Respondent is afraid to disagree with male guardian	18	-	12	-	0.30 ** (0.04)
Male guardian would permit the female protégé to improve education	29	30	9	9	-0.18 ** (0.04)
Male guardian has a restrictive attitude towards women ²	11	9	6	8	0.22 ** (0.03)
Mobility of female respondents is restricted due to family confinements	11	12	9	8	0.28 *** (0.00)
Male guardian finds derogatory behaviour/ physical violence towards women normal/ commonplace	11	9	7	7	0.22** (0.03)
Male guardian finds women's independence of choice normal/ commonplace	15	25	3	5	-0.39 *** (0.00)

1. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs); *p<0.1, **p<0.05 and ***p<0.01 (two-tailed).
2. See Appendix 7 for an explanation.

Similarly, significantly more men from the control group had a tendency to have a restrictive attitude toward women in their HHs. Much of the information on the “restrictive attitude of men towards women” were gathered from responses of both men and women respondents via a number of questions that relate to general sentiments and attitudes among the men as they see themselves and as this is perceived by the women. The questions ranged

from attitudes to women making their own decisions, to humiliating behaviour and violence (physical, verbal and emotional) against women within the HHs, and also in their communities. They also addressed how this behaviour was perceived or seen by men and how it eventually influenced their own attitude towards women in their own HHs. There were also questions on the freedoms of movement that the women enjoyed in general and within their communities in particular, like seeing friends and family or talking to male acquaintances. Men and women from both HHs were quite open in admitting that such freedoms were restricted, without much sense of having to justify these restrictions when they were there.

Similarly, the inclination of men from borrower HHs to support women's independence of choice concerning their education, working status and self-determination was higher than for their counterparts from the control group. The crucial point is whether the attitudes of men from borrower HHs were "better" towards women earlier on, or whether this change came about after the women had become MFI members. From what I could gather from interactions with the women from borrower HHs, their male counterparts were less possessive or controlling in their attitudes towards women in general. Still there were many cases where these women had encountered violence, hardships and opposition regarding their personal choices, freedoms and space. However, even for the women from borrower HHs where there was opposition and restrictions regarding their decision-making on issues such as MFI membership, it is possible that the women's persistence, together with the relative flexibility of the male counterpart in comparison to men from non-borrower HHs, had eased the path to loan take up. Furthermore for those reporting violence in HHs, there were issues of excessive alcohol consumption that might explain for this. For example, half of the HHs reported some violence before taking out a loan and higher levels after taking out the loan (see Table 4.7). Husbands were reported to consume excessive alcohol and the resulting violence after loan take up was mostly due to expenses regarding alcohol.

Those reporting violence before loan take up, particularly women from borrower HHs who were borrowers over a longer period of time, reported that the attitudes of men had improved over time. Some even reported that the level of violence had stopped over time since taking out a loan. Most of the long-time borrowers admitted that even when there was opposition from the immediate or extended family, if the husband backed the decision to take out a loan, the women had in most cases managed to take up the loan. This was the case even when micro-lending was not so common in their villages or areas.

The following statement from a respondent in Sitapur best describes this scenario:

“...there were many in the family and community who were very angry when I first started with NEED 6 years ago... mostly because there were few who had opted for a loan... [My] husband was also scared of how the people might react in the long run, but he still supported the loan application, as he was sure that I would never do something which would harm my children or him” (interview with female borrower, Sitapur, UP).

Even though such first movers within the communities were confronted with much opposition and scepticism regarding association with an MFI, they supported their wives’ loan application. This indicates that men from borrower HHs were probably not only more adaptable, but also more accommodating and open in their attitudes compared to others within their communities, who showed scepticism regarding borrowing from or membership with an MFI. It is possible that these individuals helped to open paths within their communities for the others to follow in their footsteps. This indicates a positive correlation between more open attitudes of men within the community and MFI outreach. In other words, loan take up by the HHs depends on how the men within the communities deal with various pressures or opposition within their families or communities at large. First movers play an important role in this context.

Further evidence that the non-liberal stance of men decreases women’s self-determination and financial leeway in their affairs, hindering them from opting for a loan, was provided by the control group HHs. Table 4.9 presents statistics for the control group HHs only, focusing on their attitudes toward MFI association.

Table 4.9: Selected characteristics of non-borrower HHs regarding MFI association

N	16	13
Reported by	Women	Men
Awareness of credit possibilities on the market ranging from formal banks to informal credit associations (ROSCA/ ASCAs)	16	13
Income situation of the household		
Earn enough to make savings	7	5
Income only just enough to meet expenses	7	8
Income not sufficient to cover all living expenses	2	-
Female respondent has considered taking a loan from an MFI	13	7
Reasons for not opting for a loan from an MFI ¹		
Husband/ family oppose	10	9
There is no need for a loan	3	4
Community shuns it/ religion forbids it	3	2
Other means of cheaper credit like ROSCAs/ ASCAs preferred	3	1
MFI would not lend/ husband male nominee a hindrance	1	-
Opinion of husband/ family on loans from MFI		
Negative/ oppose MFIs	11	10
Indifferent	4	2
Positive	1	1

1. More than one reason could be provided for not opting for a loan from an MFI

Out of every five, four of the female respondents from the control group HHs had considered taking an MFI loan. Of these, three out of every four could not opt for a loan as the decision was not backed by husband or their immediate family. In some cases there was opposition from the community or the religious faction. Even when the HHs were financially in a fragile situation, and the women wanted to help by investing in self-employment or some other income-generating venture, it could not be realised due to such opposition and the necessity of male nomination for the loan. Responses from male respondents from within the control group HHs accorded with the responses of their female counterparts regarding their own and their families' opposition to MFIs. Consequently, this clearly points to the fact that MFIs' target populations are hampered in their decisions to opt for loans due to opposition within their HHs' familial settings.

The empirical evidence from the previous sections clearly shows that, when looking at the combination of all four components in the loan take up decision process, the socio-political milieus of MFI clients play a decisive role in whether or not a household takes out a loan. The most important role is that of the immediate familial circles of the women, especially the attitudes and opinions of men towards women's membership with an MFI. Opposition or a negative stance towards MFIs in general, and a restrictive attitude towards women in particular, within HHs would most probably not result in a positive decision for a loan take up. On the contrary, wherever the husband or male guardian within the HH backs the loan take up, opposition from the family, community or peers was in most cases secondary. Thereby the men within HHs who were sure of themselves and were relatively strong in character could dare to take a stand and support their wives' loan decision against opposition from the family or larger social circle. As discussed above, this is one of the main reasons why NEED requires a male nominee requirement for all loans issued, to safeguard family harmony and to back the loan against possible default (especially when non-repayment by the women might occur mostly on the pretext (founded or unfounded) of the male guardian or family opposition). Therefore there is ample evidence to accept Hypothesis 1, *that a stronger position of men in the family or society will make outreach to women more difficult*.

At the same time, respondents from non-borrower HHs, especially the men, seem to also be very receptive to the opinions of people and groups in their social milieus on their ideas and perceptions regarding MFIs. This together with a negative attitude within the communities toward borrowing in general makes them very reluctant to opt for a loan even when the HH is in financial need and the women are ready to start some kind of a small enterprise with a microfinance loan. Moreover, men's insecurity about how women might

rebel against traditional norms, neglecting their obligations to their families should they have more decision-making powers or financial freedom, makes them very rigid in their stance against MFIs, which they believe is an instrument for such a development. When therefore men from within the communities (clan and kin members) insist that women squander precious time in wasteful activities of SHG meetings, for example, then they are probably trying to maintain the status quo at least within their immediate clans or extended families. Furthermore, the strong sway held by religious leaders within the Muslim communities seems to deter some of the potential customers from opting for a loan. Therefore, there is some evidence to accept Hypothesis 4, *that outreach will be negatively influenced when there is fear of persecution, stigma or sanctions from the community and religious factions.*

Regarding the strong presence of established local moneylenders and the strong feudal structures affecting MFI outreach negatively or making it more difficult, as stated in hypotheses 3 and 4 respectively, the scenario is more complex. The interactions with the survey respondents, including moneylenders, provides ample evidence that rich and powerful landlords are also usually the moneylenders in the rural areas of UP and Bihar. In addition to being moneylenders, most of these men are also relatively wealthy, with large amounts of landholding and high social standing due to their belonging to upper castes. All these characteristics give them an advantageous position over the poor peasants and villagers in the vicinity. Even when money lending is not necessarily the main business or source of income of these moneylenders-cum-feudal lords, it benefits them in many other ways, such as providing a source of cheap labour for their fields. Interviews showed that the negative stance of these influential moneylenders against MFIs is also due to the fact that microfinance may actually help local people to repay their loans with moneylenders. This reduces the ability of the moneylender to benefit from the vulnerable position of a peasant or a villager in his debt. Thus, even when on the surface it might appear that the MFIs and the moneylenders serve a different clientele, it seems that clients do overlap, and this affects the preferences of the moneylenders.

On a different level, but closely related to this feudal setting, is the role played by other powerful local men like local politicians (Pradhan or Panchayat members), or certain groups like local traditional healers or quack doctors that might benefit from the ignorance or powerlessness of local populations. These would then definitely oppose the operations of MFIs or NGOs, who might threaten their position through social awareness programmes or financial aid schemes for income generation. Thus there is also evidence for accepting hypotheses 2 and 3, *that the performance of the MFI is negatively influenced by a strong*

establishment of local traditional moneylenders and that outreach will be more difficult when the feudal structure is very strong.

4.5 Conclusion

The familial, communal and political milieus of the targeted women borrowers seem to have a significant effect on the outreach and operations of the MFIs. Findings reveal that without a male loan nominee, loan issuance is not possible. This in turn reflects the tension generated in the HH due to challenges to the male guardians authority and women wanting to opt for a loan for more financial independence. Opposition from a male guardian and the family (both immediate and extended) was found to deter many women and HHs from opting for a loan from an MFI, even when women themselves clearly wanted to opt for a loan. HHs where men were more open and adaptable in their attitudes towards borrowing and MFIs in general, and also in their attitudes towards women and their basic freedoms in particular, were more likely to support the decision to take out a loan even when there was opposition from the immediate family and community.

Beyond the family, men's age-old gendered perceptions about women's obligations to their families, and the belief that MFI loan membership is the cause of distracting women from their obligations, seemed to affect MFI loan take up. Furthermore, religious decrees from the Muslim religious factions were also a force in hindering potential Muslim HHs from MFI membership. In the case of moneylenders, their negative stance and aggressive attitude towards MFIs and borrowers does negatively impact MFI outreach. Local populations within the communities fear that moneylenders might not lend to them in case of a financial emergency, and this fear makes most of them stay away from borrowing from MFIs, as in time of financial crisis they would have nowhere else to go. The moneylenders, who are usually also rich and of a better social standing, derive other benefits from the subordination of their clients within the local populations, such as cheap labour to work off debts. In the absence of MFIs, most of a moneylender's clients will not be able to leverage loans from MFIs to pay off his debts, helping the moneylender to continue to benefit from the vulnerabilities of local people who are indebted to them.

Other actors within the communities were groups of individuals like local politicians and their followers, local traditional physicians and midwives or government officials, all of whom might face accountability for their actions due to the presence of MFIs within the communities or from their operations. Most MFIs, including NEED, in addition to their credit services also run social awareness programmes in the communities for their clients. The

services and advocacy offered help the (potential) borrowers within the communities to avoid the exploitative situations from which other community members, like the groups mentioned above, can benefit.

In conclusion, MFIs can be hindered in reaching out to their targeted populations when they do not take into account the various pressures that their clients have to confront within their HHs, families and local communities. Their success depends quite a lot on their ability to adapt and come up with solutions to deal with such pressures, even if it means shifting away from their initial operational practices. NEED has had to do this too, first, by requiring male signatures for female borrowing and second, by shifting the focus to JLG formation rather than SHGs. This has brought adjustments in the focus of NEED's lending methodologies (reducing group sizes and loan disbursements, and holding fewer group meetings). They have also cut back on their complementary function as social awareness advocates, which was part of the SHG system.

These adjustments, however understandable, are not necessarily the optimal ones. The stipulation of a male nominee is counter to the goal of women's empowerment. It particularly discriminates against women who are most in need due to lack of male support, financial or otherwise, for themselves and their families. Gender of the loan nominee and marital status of the women wanting to opt for a loan should not play a role in qualifying for a loan or fulfilling the requirements. Also, focussing only on lending instead of wider complementary functions that NEED, had been offering like financial literacy or social advocacy regarding health, reproduction, hygiene and sanitation, can hamper the crucial social impact that MFIs might have in the long run. This is in line with the relatively common claim that women's empowerment may be increased when credit is offered as part of an integrated package that includes other services like non-productive loan facilities, insurance, enterprise development, and welfare-related activities (Garikipati 2008, Berger 1989, Holvoet, 2005, Johnson and Rogaly 1997 and Mayoux 2005). The findings here suggest that the benefit to women might be greatest where loans are accompanied by programmes aimed at women's emancipation in terms of affecting her household position and allocation of her work time (also see EDA 2005 and Hunt and Kasynathan, 2001).

Finally and most importantly, the findings suggest that where patriarchal structures are entrenched in the household and in the community in general, lending to women may not benefit these women personally. For this to happen, the patriarchal hold on the family's productive assets needs to be challenged. One of the ways in which this could be achieved is to make credit conditional on asset transfers in favour of the women concerned. Effective

transfer is likely to be achieved where assets are acquired using the woman's own loan money (see also Garikipati 2008). This is outside the realm of this dissertation, however, and these suggestions need further research.

Interviews

NEED

NEED, Chief Executive Officer (CEO). Interview 23.11.2010

NEED, Branch Manager: Mehmoodabad (Sitapur/ UP). Interview 12.11.2010

NEED, Branch Manager: Motipur (Muzaffarpur/Bihar). Interview 06.12.2010

NEED, Development manager (middle management) and loan officers (LSAs), Uttar Pradesh (UP): 7 interviews in all

NEED, Development manager (middle management) and LSAs, Bihar: 3 interviews in all

Moneylenders

Moneylender 1, Siroli Purwa, Mehmoodabad, Sitapur, UP. Interview 16.11.2010

Moneylender 2, Behrolli, Ichawli, Sitapur, UP. Interview 22.11.2010

Moneylender 3, Purwi Champara, Mesi, Motipur, Bihar. Interview 04.11.2010

Households

Household interviews Lucknow, Uttar Pradesh (UP): 26.10.2010 – 10.11.2010

Household interviews Mehmoodabad, Sitapur, Uttar Pradesh (UP): 11.11.2010 - 24.11.2010

Household interviews Muzzafarpur, Bihar: 02.12.2010 - 07.12.2010

Investor Bank experts

National Bank for Agriculture and Rural Development (NABARD): Mr. Sudhir Kumar Roy (NABARD Senior manager): 25.11.2010

Small Industries Development Bank of India (SIDBI): Manager wished to remain anonymous: 29.11.2010

5 Pakistan: Microfinance and delinquency crisis

5.1 Introduction

Having discussed the case of the Indian states of UP and Bihar, I now turn to the case of Pakistan. Focussing on the Pakistani province of Punjab, I again explore how the performance of MFIs is affected by the direct or indirect intervention of societal power struggles. Based on quantitative and qualitative information, this chapter examines the challenges created for both MFIs and their clients by actors including families, neighbours, community members, religious groups, government agencies, local politicians, local moneylenders and other powerful elites. By drawing its insights from the testimonies of men and women from the targeted households, MFI employees and moneylenders in the areas of MFI operations, the chapter addresses the same three questions that have also been examined for the Indian case, namely:

1. *Is the fear of persecution/stigma or sanctions from various actors within a community dissuading potential clients from MFI membership?*
2. *Do interventions from various local actors within the working areas of MFI affect the MFIs' operations?*
3. *Is the opposition to MFIs at domestic level from male guardian and family a deterrent for women who want to opt for MFI membership?*

The chapter is organised as follows: Section 5.2 will give a brief description of the partnering MFI selected for the study in Pakistan, while Section 5.3 will present descriptive statistics on the households' background and the respondents' profiles. Section 5.4 will provide a discussion of the clash of preferences in the form of the four components as discussed in Chapter 3 and Figure 3, and Section 5.5 concludes.

5.2 Kashf Foundation¹

Kashf was set up in 1996 as a nongovernmental foundation with the aim of providing microfinance services. However, it was only in 1999 that Kashf launched its microfinance programme, claiming to be the first specialised programme in Pakistan to do so (Kashf 2015). Like in the case of NEED, the lending methodology of Kashf was inspired by and replicated from the Grameen Bank. However, Kashf has now transformed itself into Pakistan's first wealth management company for women from low income households. The organisation focuses on

¹ The word "Kashf" is originally Arabic and means "to unveil" or "unveiling".

enhancing the role that women can play in improving the economic status of their families by building their entrepreneurship skills through access to business loans, improving their financial management skills by delivering financial education trainings and reducing family level contingencies by providing micro-insurance services (Kashf 2015).

Kashf is the 6th largest microfinance provider in Pakistan in terms of outreach, with 233,674 active borrowers, and 8th largest in terms of gross loan portfolio (41,373,107 USD) for the year 2015 (MIX Market 2015, see also Kashf 2014 for an overview of the MFI's own statistics for comparison). From the information during the field visit, Kashf only lent to individuals and target clients were basically women between the ages of 18-50 years. However, loans could also be taken out for the businesses of husbands or male family members. Loan cycles were one year with monthly instalments and a 20 percent interest rate. Loan size ranged from approximately 230 to approximately 585 USD. As the clients developed a credit history with Kashf, they could access larger loans in the upper range.

At the time of my field visit, Kashf was active in the two western provinces of Pakistan, namely Punjab in the north and Sindh in the south. Since the organisation started out in Punjab, their operations were established and running all over Punjab. Sindh, however, was a territory that they had just ventured into, and were only actively working in the peri-urban slums of Karachi, the largest city in Sindh (and in Pakistan). Focussing on Punjab, I picked out the four adjoining districts of Lahore, Kasur, Sheikhupura and Gujranwala where Kashf was fully operative for the survey.

5.3 Descriptive Statistics

5.3.1 Sample households and respondent profiles

About three quarters of the data represents HHs from the district of Lahore, which was the largest, most populous and urban of all the districts in which I undertook fieldwork. Table 5.1 presents some selected background characteristics of the HHs. Roughly 60% of the HHs were urban and the remaining 40% were rural HHs. This is because the bulk of HHs coming from the district of Lahore are categorised as urban. About a fifth of the HHs surveyed were Christian, whereas the rest were Muslims. The districts are practically homogeneous by religion, with Muslims constituting the overwhelming majority (over 95%). However, in Punjab as in Pakistan, it is quite common for neighbourhoods to be segregated by religion or ethnic background. This meant that minorities tended to be found in neighbourhoods where their group was in the majority, so that a majority of the HHs in such a neighbourhood would be Christian, Hindu, or another minority. The majority of the survey HHs (54%) were relatively well off, with roughly

36% classified as poor and only 10% classified as very poor. As in the previous chapter, the classification of poverty level is a subjective deduction from an onsite observation of the living quarters, hygienic conditions, availability or lack of basic facilities like electricity, running water, toilet, cooking and heating facilities, household size, and living space available per household member, the condition of living premises and ownership of residence.

Table 5.1: Descriptive background statistics, absolute numbers, {average}

HH-level background characteristics	Borrower HHs	Control Group	HHs Total
<i>N</i>	43	12	55
District			
<i>Kasur</i>	8	2	10
<i>Sheikhupura</i>	10	1	11
<i>Gujranwala</i>	12	3	15
<i>Lahore</i>	13	6	19
Location HH			
<i>Rural</i>	18	4	21
<i>Urban</i>	25	8	34
Religion			
<i>Muslim</i>	34	11	45
<i>Christian</i>	9	1	10
Caste			
<i>Lower</i>	14	2	16
<i>Middle/ Upper</i>	29	10	39
Living Conditions/ Standard ¹			
<i>Very Poor</i>	5	0	5
<i>Poor</i>	17	3	20
<i>Relatively well off</i>	21	9	30
No. of children in HH	{5.30}	{3.41}	{4.89}
Average HH size	{10.93}	{7.25}	{10.12}
Education in years			
<i>Female</i>	{5.1}	{5.5}	{5.2}
<i>Male Guardian</i>	{3.7}	{5.5}	{4.1}
	{7.0}	{5.5}	{6.7}
Marital Status			
<i>Married</i>	36	11	47
<i>Single</i>	1	0	1
<i>Widowed/ divorced/ separated</i>	6	1	7
Joint family system ¹			
<i>Yes</i>	28	6	34
<i>No</i>	15	6	21
Number of Siblings (Natal Family)			
<i>Female</i>	{5.1}	{5.8}	{5.2}
<i>Male Guardian</i>	{5.9}	{5.2}	{5.8}
Female economically active			
<i>Yes</i>	33	8	41
<i>No</i>	10	4	14
Female employed before marriage	11	4	15
Female supporting parents financially	6	1	7
Female able to support self and (immediate) family	29	5	34

1. A note on key definitions and clarifications on the classification of living conditions is provided in Appendix 7.

Comparatively speaking, the level of poverty in the districts studied in India was more

pronounced, largely due to the inequality of income distribution among the general population, but also due to regional specificities, where UP and Bihar contain particularly large populations of India's poorest people. These geographic differences in poverty levels might have an effect on the HHs' decision for a loan for an MFI. This shall be elaborated in the next sections.

From the table above, the livelihood status of all the HHs shows that a majority of all women respondents were economically active. However, more women from the borrower HHs (77%) were economically active than from the control group, of whom about 66% were economically active. Women from the borrower HHs were more likely and able to support elderly parents and immediate family than the women from the control group. Just as in India, the majority of the small enterprises run by the households operated at the local market within the sectors of agriculture and cattle, textile and embroidery, shoe making, cosmetic services, transport services, food vendors, provisional stores and other retail businesses.

5.3.2 Credit background of Kashf clients

Table 2 presents some loan specific and banking statistics of the HHs. More than three fourths of the loans were used for an economic activity.

Only about one fifth of the loans were reported to have instalments overdue. A closer look at the loan status of the borrowers showed that there was a strong correlation between loan misuse and open instalments, since 5 out of the 9 borrowers of those defaulting on previous instalments coincided with those who admitted loan misuse. Average loan size for the sample data was approximately 300 USD, with 44% of loans being larger than the average loan size. The most widespread channel for recruitment by Kashf (see Appendix 7 for details) as a borrower was reported to be either through the recommendation of friends and neighbours, or through direct active promotion of Kashf via its loan officers, referred to as Business Development Officers (BDOs) locally. The reliance of Kashf on these social networks for new clients is important, as word of mouth from peers in the closely knit community aids in influencing a HH's decision to become a borrower.

Table 5.2: Loan specific and banking statistics, absolute numbers, (%)

	Borrower HHs	Control Group ¹	Difference in sample means (p-value of t-test) ²	HHs Total
N	43	12		55
Loan size (approx. in USD) ³	300	-		
% of loans ≤ 300\$	(56)	-		
% of loans >300\$	(44)	-		
First time loan	10	-		
Purpose of loan				
Economic activity	34	-		
Other, misuse ⁴	9	-		
(Previous) Loan or instalment outstanding	9	-		
Loan misuse and outstanding instalment	5	-		
Loan enterprise main source of income				
Yes	18	-		
No	20	-		
50% household income	5	-		
Income, financial situation has improved due to loan	36	-		
Source of recruitment to MFI ⁵				
Self motivation	0	-		
Friends, neighbours	16	-		
Husband	0	-		
NGO, Bank	16	-		
Animators, others	2	-		
Combination of at least two listed above	9	-		
Loan application refusal by a financial institute	4	3	0.1739** (0.018)	7
Household has a bank account	39	9	-0.1612** (0.037)	48
Female respondent has a bank account	8	2	-0.0622 (0.525)	10
MFI membership or loans other than Kashf	8	3	0.1701 (0.1330)	11
Multiple loans	7	1	-0.0794 (0.4991)	8

1. The blank spaces (-) in this and all following tables indicates that the questions were not put to the respondent or were not part of the respective questionnaires.
2. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs); *p<0.1, **p<0.05 and ***p<0.01 (two-tailed).
3. Exchange rate 1\$= 89.55 PKRs (daily average 21.12.11).
4. Loan misuse here means having used the loan for purposes other than the one stated in loan application or as stipulated with Kashf.
5. See Appendix 7 for definition.

5.3.3 Financial institutes for all the sample participants

In general, the borrower HHs had a higher rate of having a bank account than the non-borrower HHs, with the difference between the two groups being statistically significant. The share of women account-holders within the borrower HHs was also slightly higher than that for the control group (see Table 5.2). Interestingly, more control group HHs had been refused a loan by regular banks. These rejections were for larger loans that the households had applied for in the past, indicating that there had been times where there was a need for credit. Reasons for loan rejections were various, and included lack of adequate guarantors, lack of proper collateral or no credit history with the banks.

About one fifth of the HHs reported being a member of an MFI other than Kashf. Women from the non-borrower HHs were more likely to be part of other credit associations, such as rotating savings and credit associations (ROSCAs)² than MFIs. Interviewees reported that they found the ROSCAs to be not only more economical, but less prone to engender family opposition, as many stated, “... *Kametis (ROSCAs) are in accordance to our religion for it is interest free*”³ (interviews with several control group respondents in all districts). Indeed ROSCAs are a more economical and Sharia-compliant way of pooling money and forwarding it as a credit to the members of the ROSCA. They can and do serve as a reasonable substitute to MFI loans for all those who have issues with paying interest on loans, though the instalments have to be just as regular. Still, group cohesiveness and trust among peers can be difficult to establish in the absence of a vigilant group leader, and there is always the issue of having to wait for loan to be rotated, as all members cannot get the loan disbursed at the same time and it is not guaranteed for exactly when they want or need it.

5.4 The socio-political framework, conflicting preferences and power struggles

This section provides an analysis of the process that leads to the loan take up decision by the women. Thereby the four components will be discussed and verified as a systematic process as depicted in Figure 3 of Chapter 3. As in the case of Chapter 4, I will reiterate the four hypotheses that are to be tested for the case of Pakistan:

Hypothesis 1: The stronger the power position of men in the family (society), the more difficult is the outreach to women.

Hypothesis 2: The operations of the MFI are negatively influenced by a strong establishment/ presence of local traditional moneylenders.

Hypothesis 3: MFI outreach will be more difficult when the feudal structure is very strong.

Hypothesis 4: MFI outreach is negatively influenced when there is fear of persecution, stigma or sanctions from the community and religious factions.

5.4.1 Personal standpoint on the relevance of MFIs and other actors (Component 1); and perceived opinions of respondents of other actors on MFIs and membership (Component 2)

Table 5.3 presents the viewpoints of all the respondents on the importance of the social

² ROSCAs are basically groups of people who decide to pool their money, make regular contributions, and then give money to members on a rotating basis without any cost or interest (Rutherford 1997, p. 355).

³ The word “Kameti” is a local name for ROSCAs in Pakistan.

institutions and actors, which make the basis for the first component in the decision to take out a loan. A majority of the respondents from the borrower HHs were of the opinion that the MFIs were very important for the provision of affordable credit services, contrary to the opinions of control group HHs, particularly the men. The difference in the opinions of the two sample means (borrower versus control group HHs) was also statistically significant. However there was a clear difference of opinion among the men and women of the control group, with all women respondents ranking the MFIs as either important or very important and most of the men characterizing MFIs not important or redundant.

Table 5.3: Component 1: viewpoints on the importance of MFIs & other actors

	Borrower HHs		Control Group		Total	Difference in sample means (p-value of t-test) ¹
N	43	35	12	9	99	
Reported by	women	men	women	men	-	
Opinion on the importance of MFIs for services						
Not important	0	0	0	6	6	-0.9091 *** (<0.0001)
Important	5	3	7	2	17	
Very important	38	31	5	1	75	
Important but should be avoided	0	1	0	0	1	
Opinion on the importance of religious and community groups						
Not important	2	1	1	1	5	0.0407 (0.752)
Important	35	22	9	3	69	
Very important	6	12	2	5	25	
Opinion on the importance of moneylenders as service providers						
Not important	6	7	1	1	15	-0.2631 (0.357)
Important	0	4	5	2	11	
Very important	6	3	0	1	10	
Important but should be avoided	31	21	6	5	63	

1. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs); *p<0.1, **p<0.05 and ***p<0.01 (two-tailed).

Social ties within the community with peers, kin and religious groups seemed to play a vital role for both the sample groups. The religious community was regarded as important⁴ in the daily lives of all HHs. However, there was a strong tendency of men from the control group to report the religious community as very important, compared to men in the borrower HHs. While only one third of the men from the latter affirmed the religious community as very important, half of the men from the former held it to be very important. In line with the survey, they adhered strongly to what the religious heads preach as immoral and un-Islamic – including the practice of interest-based loans. One respondent from a deeply religious neighbourhood in

⁴ Important here means that the HH respondents might let their own opinions of the same be influenced by those of the other actors in their communal milieu (Chapter 4).

Sheikhupura expressed this in the following statement:

“....(t)he preacher gives sermons after Friday prayers (in the mosque) against all loan institutes that operate on the interest based system and warns that true Muslims will shun such practices and all who are devout believers will refrain from such (credit) services” (interview with female non-borrower, Sheikhupura, Punjab, Pakistan).

Friday prayers are a special weekly event where the men from the local community get together in the afternoon for the Muslim midday prayers. After the prayer, there is usually a brief sermon, in which the Pesh-Imam (the person who leads the prayer) addresses the devotees who gathered for the prayers. It was such a gathering that the statement from the respondent above referred to, making it clear that the clergy or the religious headmen within the neighbourhoods have a regular platform to disseminate their opinions and influence the local community. Any issues that these religious headmen might find unsavoury or objectionable in the light of religion (or their own interpretation of it) is then addressed, attacked or admonished in these weekly sermons. Men who are regular visitors of these sermons might well take up the advice or the guidance of these religious community leaders when they are constantly addressed on various matters. The religious leaders or imams also serve as counsellors on all issues, ranging from family matters to problems of livelihood, and people seek their guidance and advice on religious decrees and rules as well. This is largely an esteemed position, and provides these religious counsellors with a certain amount of power and social standing within the communities, so that their word cannot be ignored or challenged. Thus, when these religious counsellors advise against interest-based loans or MFIs, then it might induce the local communities, and especially the men within these communities, to adhere to their advice.

Beyond this feature, which was quite specific to the Pakistan context, the sentiments on borrowing in general among the survey HHs in Pakistan were quite similar to those expressed by their survey counterparts in India. Many in the communities were not keen on borrowing even when in dire need. As in India, it was an act that was socially scorned and looked down upon. This general discomfort with borrowing as a practice was one reason for many to regard MFI membership as taboo (regardless of the issue of interest-based loans). This was also a relevant theme for many Kashf employees who were well aware of this stance toward borrowing. One branch manager described this discomfort with MFI membership as the fear of *“loss of face or self esteem or honour”* (interview with Kashf branch manager) if instalments are not paid in time. This sentiment appeared in many interviews across all the districts in Punjab. According to a male survey respondent:

“....[I] have a need for credit, only I dare not approach them, [MFIs] for fear of my honour.... in case I am not able to pay and the loan officers come shouting about it in my neighbourhood.....that would be too big a shame for me to take” (interview with male non-borrower, Lahore, Punjab, Pakistan).

As in the case of India, fear of ostracism or the fear of losing face and the household head's wish to keep all control of family matters are several facets of the same negative attitude towards borrowing.

Regarding moneylenders, a majority of all respondents, regardless of status or gender, reported their services as important, but felt that they “should be avoided” at best. The reason many in the Punjab districts gave were the same as in India: that in emergencies they are the only source of guaranteed and speedy cash, even if on exorbitant and exploitative terms, as one respondent commented:

“.... [moneylenders] will lend you money 365 days a year regardless of whether it is a weekend or a public holiday or the middle of the night” (interview with male borrower, Gujranwala, Punjab, Pakistan).

The respondents of the survey felt that moneylenders indeed were an important buffer for cash needs to poor HHs and that the moneylenders did not necessarily have a friendly or amicable stance toward MFIs within their communities. Contrary to the responses of the HHs, however, none of the moneylenders interviewed admitted having a negative stance toward MFIs, or being robbed of clients due to their presence on the market, reporting that there were always people pressed for cash in emergencies, and that they (moneylenders) would always be needed as the lenders of last resort. As in the case of India, the coexistence of moneylenders alongside the MFIs is explained by the fact that moneylenders cater to the credit needs of individuals and HHs mostly for purposes other than those catered to by the MFIs. Also in contrast to India, where moneylenders normally enjoy a high social standing in terms of wealth, family or caste, moneylenders in Pakistan were not necessarily of a higher social standing. Mostly their activity was commercial in nature, and their social stature was not dominant, as lending on interest in general was considered un-Islamic and immoral.

Of the four moneylenders interviewed, the one in Sheikhpura had the largest loan portfolio, with outstanding loans amounting to about PKR 1,000,000 (USD 11,200). According to this moneylender:

“... (I) am just helping people in need. When I lend to them, I tell them the terms openly, even if I am lending at 300 percent, they know it and they agree to the terms. These people will obviously not get money from MFIs as they need it for

personal consumption or medical treatment etc.” (interview with moneylender, Sheikhupura, Punjab, *Pakistan*).

Contact with this moneylender was established through a Kashf loan officer who knew the locality, including all the local moneylenders, very well. After the interview with the moneylender, and once we had parted ways, the Kashf officer told the story of the moneylender’s second wife. She was less than half the age of her husband, and was the daughter of one of his old clients, who was a widow herself. The marriage resulted from an unpaid loan, plus the accrued interest on it that the poor widow could not pay over the years. All this could not be verified by the second wife or her mother under discussion, nor could another valid source confirm its validity – it could only be confirmed that the moneylender acknowledged having two wives. This story does highlight, however, that loans from moneylenders can be paid in kind. In UP and Bihar, this took the form of cheap labour, while in Pakistan it was the (alleged) case of a client being obliged to give their child as a second wife. Similar situations or scenarios no doubt occurred is imaginable in which moneylenders benefit from the vulnerabilities of their poor clientele. This might be avoided, however, if there were alternate sources of credit on the market. For example the fate of the poor widows’ daughter might have ended up differently if her mother had other options than selling her off. In turn, this would mean that moneylenders would have to adjust, loosening the grip on their clients that allows them to benefit from their vulnerable situations.

A small-scale female moneylender I interviewed in Lahore was an MFI client herself. She openly stated that she would channel the money from several MFIs (whose names she refused to disclose) into moneylending, at much higher interest rates, and made a living on this scheme. She was able to accomplish this by giving the MFI other reasons for the purpose of the loan, such as a cosmetic salon that she ran parallel to her money lending. Other, more mainstream moneylenders therefore might harbour ill-intentions towards contemporary MFIs for effectively enabling such channels of upstart competition. Their sentiments and attitudes towards MFIs might not therefore necessarily be amicable.

Table 5.4 presents the general sentiments and attitudes toward MFIs (as perceived by the respondents) of various actors within their communities, which is the basis for the second component in the loan take up decision. As the table demonstrates, the differences of perceived opinion regarding MFIs for all actors in the two sample means are mostly highly significant. These actors to whom varying opinions on MFIs were ascribed within the samples include first and foremost the male head of the household, the family (both immediate and extended), but also the community or caste chief, the neighbours and peers within the community, the local

politicians and feudal lords and partly government officials.

Table 5.4: Component 2: General viewpoint on MFIs (as presumed by the respondents) of various actors

N	Borrower HHs		Control Group		Difference in sample means (p-value of t-test) ¹
	women	men	women	men	
Reported by					
Husband/ male guardian (would) approve(s) of MFI membership	39	32	3	2	-0.6722 *** (<0.0001)
Immediate family (would) approve(s) of MFIs	42	34	4	2	-0.6743 *** (<0.0001)
Extended family's opinion of MFI membership					
Positive	4	3	0	0	0.6 *** (<0.0001)
Indifferent	30	29	5	2	
Negative	9	3	7	7	
Community chief/ headmen / biradari's² opinion of MFIs					
Positive	8	8	0	0	0.497 *** (0.0002)
Indifferent	31	24	9	4	
Negative	4	3	3	5	
Neighbours/ peers' stand on MFI membership					
Positive	6	6	0	0	0.2337 ** (0.035)
Indifferent	34	27	10	8	
Negative	3	1	2	1	
Religious community/ foreman's opinion of MFI membership					
Indifferent	17	10	2	2	0.1557 (0.175)
Negative	26	25	10	7	
Local politicians/ Feudal lords' opinion of MFI membership					
Positive	0	0	0	2	-0.1732 ** (0.0126)
Indifferent	40	32	12	7	
Negative	3	3	0	0	
Local moneylenders/ traders' opinion of MFI membership					
Indifferent	22	14	4	3	0.1499 (0.2449)
Negative	21	21	8	6	
Government employees' opinion of MFI membership					
Positive	0	0	0	1	-0.0889 * (0.081)
Indifferent	41	35	11	8	
Negative	2	0	1	0	

1. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs); *p<0.1, **p<0.05 and ***p<0.01 (two-tailed).
2. See Appendix 7 for a definition.

The differences are not statistically significant among the sub-sample means for the categories “moneylenders” and the “religious community foremen” in their opinions on MFIs. Nonetheless, not a single respondent interviewed in Pakistan identified the stance of these two particular actors as positive towards MFIs, in contrast to their counterparts in India. According to the HH respondents, they are indifferent at best. Actors like local politicians, feudal lords and government officials are a special case, as perception of their attitudes is related to the delinquency crisis that the whole sector experienced in 2008/9 and will be discussed at length in

the next section.

Contrary to the men from borrower HHs, very few men from the control group would approve of MFI membership of the HH's women. Concurrently, control group respondents reported a much higher level of opposition to MFI membership from all other actors, including the immediate and extended family, religious faction, the local moneylenders and the community headmen, than did borrower HHs. On all accounts, the control group respondents perceived the opposition to MFIs to be much stronger amongst these groupings than did the respondents of the borrower group. However, the family of the HHs, both immediate and extended, seemed to be of far greater importance to the HHs than the community, neighbours or the clan at large. Though these were also important and significant, they were comparatively secondary to the familial ties.

The relevance of the (extended) family's importance in all (immediate) family matters was conveyed in one such statement from a respondent in Gujranwala:

".... [In our society] it becomes very difficult to function as a family unit if there is bad blood in the family. Everywhere you go or move [within the community] you are recognised as a unit of the family and hardly ever as an individual.... [one] is always referred to as the son [daughter] or brother [sister] of so and so, it therefore is easier to stick together and have harmonious relationships. When the [family] elders and others in the family do not bless something [a decision or an event], then there is no need [no way] to carry it out" (interview with female non-borrower, Kasur, Punjab, Pakistan).

Families are thus quite close knit and looking at the statistics (Tables 4.1 and 5.1), there were markedly more joint-family structures in Pakistan than in India, making the familial support indispensable in everyday matters for a harmonious co-existence (see appendix 7 for definitions of joint family structures). Relative to these familial ties note the statement of one respondent from Lahore:

"Good relations with your biradari and community are important at all times but it is best done when one takes them into account over larger issuesnot [one's] personal daily decisions or issues. We have to find [pragmatic] ways to maintain ties and skilfully avoid interference in matters that can be avoided" (interview with male borrower, Lahore, Punjab, Pakistan).

From these statements, two things can be inferred. First, the community and the social ties along caste and kinship ties are important for the family in general. Second, the HHs have to be selective and pragmatic in their approach to dealing with these matters. In short, the larger community can be flexibly and skilfully handled if and when the HH's decisions diverge from

those of the *biradari* or clan members. Yet family, both immediate and extended, might be more difficult to handle when there are clashes of preferences over really important matters. Agreeing on the matters of greatest importance can help a HH to gain some freedom in the smaller decisions of daily life.

This intriguingly differentiated stance of the borrower HHs towards different actors was also revealed in their dealings with other actors in their communities, such as the religious foremen (*pesh-imams*) in their communities. Although proportionately there is not a big difference between the responses of the men from both the sample groups concerning the religious foremen having a negative opinion of the MFIs, the men from the borrower HHs were less prone to taking this opposition seriously. For instance commenting on the opposition from the religious faction regarding loans, one respondent from a borrower HH sarcastically commented:

“They [religious foremen] initially warned and strongly preached against the interest based loans; however... they are now clandestine clients themselves”
(interview with male borrower, Kasur, Punjab, Pakistan).

During the interview the respondent was most amused when relating how many religious imams who had previously openly admonished people against interest-based loans were now themselves clients with MFIs. When those who preach against interest based loans start taking up such loans themselves, it gives the others within the community the right to question the validity of such preaching. Some might defect from following the advice of such religious headmen. Others may take a more rigid stance, in which they still adhere to the principle of interest free loans and still shun MFIs, but condemn the actions of the religious leader under discussion.

To sum up, responses reveal that there is an inclination to be influenced in a decision to refrain from MFI membership when there is opposition or a negative stance towards these from the various actors. In addition to this, opinions on borrowing in general is another major element that affects the HHs decision to borrow or not from an MFI. The relationships maintained by the HHs within their informal networks, like family (both immediate and extended), religious foremen, clan and kin members (*biradari*), neighbours and peers are quite important to the respondents, so that probably the opinions of the members within these networks cannot be totally ignored. Among these actors, the most vital role for the women’s membership decision for an MFI loan were their male counterparts within the HHs, opposition from whom can make it very difficult to pursue a loan decision. Beyond that the immediate family and the religious foremen within the community had a relatively strong role to play, and influenced many HH’s

decisions against a loan take up from MFIs. For the discussion of the third component from Figure 3, namely the actions of these actors towards (potential) MFI client HHs, the next section presents a discussion.

5.4.2 Attitudes and actions of external actors towards (potential) MFIs and clients (Component 3)

The opinions that the various groups harbour regarding MFIs and their clients discussed in the last section can be evaluated by their attitude towards the respondent HHs and Kashf employees for their (potential) membership and employment with Kashf. Any kind of threat, warnings or provocations encountered by Kashf clients, or by non-borrowing HHs who seek a potential membership with Kashf, is presented in Table 5.5.

Table 5.5: Component 3: MFI borrower information and threats/ warnings/ provocations encountered by the respondents

N	Borrower HHs		Control Group		Difference in sample means (p-value of t-test) ¹
	women	men	women	men	
Reported by					
Male guardian/ husband knows of borrower status	42 ²	35	-	-	-
MFI status confidential (not made public to peers)	3	2	-	-	-
(Potential) MFI membership has been a cause of threat/ provocation from					
extended family	6	1	2	1	0.0519
community chief/ headman	1	1	0	0	-0.0256
neighbours/ peers	6	5	1	0	-0.0952
religious factions	6	6	1	1	-0.0586
local moneylenders/ traders	2	2	0	0	-0.0519
public officials	1	1	0	0	-0.0128
local politicians/ councillors	1	0	0	0	-0.0259
Other MFI loan officers	7	6	0	0	-0.1688 **

1. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs); *p<0.1, **p<0.05 and ***p<0.01 (two-tailed).

2. A case of the male nominee being the brother in law and not the husband, who opposed MFI membership.

The previous section highlighted that borrowing in general is an act that many would want to avoid. Similar to the number of cases in India, there were an equal number of respondents in Pakistan who wanted to keep a low profile by keeping their borrower status confidential to their extended family and peers. Five respondents (3 HHs) admitted to hiding their loan status from family and peers in their communities. These statements were backed by Kashf staff (see Table 5.6), who admitted that some members preferred to hide their MFI membership status from their families or relatives. Similar to the situation in India, borrowing was not something which a HH would want to be associated with. Within the communities, humility and living humbly, even

hand to mouth, was a status which would still be looked upon with empathy and appreciated by many. However, the appearance of living beyond one's means and taking up loans might be interpreted as a sign that the family was extravagant and not in control of their lives. As one respondent in the district of Lahore put it, in the words of a common old adage, one should not go beyond his means or capacity.

Apart from this perception of borrowing, respondents from both the sample groups reported having encountered unpleasantness in the form of threats and warnings of one sort or another, directly from extended families, neighbours and peers, MFI loan officers, the religious faction, public officials and moneylenders. However, of all such encounters the most active and bothersome were those with the religious foremen within the communities. This was confirmed by the loan officers of Kashf. Of the 11 loan officers and managers interviewed, 10 reported members of the religious faction specifically as a group hindering them in their work when in the field (see Table 5.6). According to one loan officer:

"... [As employees of the MFI] when we are in the neighbourhoods on work, we are harassed by the members of the religious faction and their supporters; who follow us in the streets within communities and call us names like 'dozakhi' [meaning dweller of hell in the hereafter] and give us a difficult time in doing our work" (interview with Kashf loan officer, Lahore, Punjab, Pakistan).

Obviously, these religious groups were a cause of such nuisance as they believed they were the community's moral police, and obligated to make sure that immoral acts (interest-based loans) were curbed and discouraged. This risk of harassment associated with religious influence within communities is a real one in Pakistan (Haq and Khaliq 2011). One such strong opinion was handed down by a non-borrower's young son who was active in the local community with a group who possessed anti-MFI sentiments:

"Riba [charging interest] is a great sin... banks may do that on a state level, but we in the local communities will not have it tolerated when this [ideology/ practice] creeps into our neighbourhoods and streets. I and like-minded fellows often discuss this and have many times tried to persuade them [loan officers of MFI] to stop their activities.... there are also other Sharia-compliant alternatives to microfinance" (interview with male non-borrower, Sheikhpura, Punjab, Pakistan).

Upon further probing, the respondent claimed that MFIs were also operating on the local markets in communities offering loans which were compliant with the Islamic economic laws. The respondent did not name any particular MFIs, but insisted that such MFIs were not only Sharia-compliant in the range of products that they had to offer, but also made sense for low-income

communities like theirs as they were cheaper. Elaborating on this, he referred to how some MFIs used local mosques as their operating base within communities offering interest free loans based on the concept of *Qarz-e-Hassana*. *Qarz-e-Hasana* is an Islamic benevolent loan, which is basically based on the principle of “spending in the path of Allah without expectations of return in this world. If the party to which the loan is given is able to repay, then one might get the loan back, but otherwise not” (Zaman 2013: 12). The respondent also stressed the point that such Sharia-compliant lending and borrowing practices would find general acceptance within the communities without much opposition, as they were in accordance with the beliefs of the majority within the communities, and would not discriminate against minorities either. This helps explain the fact that more control group HHs were part of credit associations like ROSCAs (see Table 5.2) than borrowers with conventional MFIs. As ROSCAs pool savings and technically operate interest-free, few people would have reservations toward becoming a member in a ROSCA for religious reasons.

Relating all this later to a colleague at the Economics Department of the Punjab University in Lahore, I was able to gather further insights on how MFIs with Sharia-compliant microfinance loans were operating within Punjab and Pakistan for over a decade. Akhuwat is an NGO MFI in Pakistan, one of the largest in the country with branches all over Pakistan. It provides interest free microfinance to the poor, with the aim of enhancing their standard of living by creating a system based on mutual support in society (Akhuwat 2015). A look at Akhuwat’s website confirms that they offer loans which are interest free (Sharia-compliant). It operates from religious venues like mosques, usually addressing crowds after Friday prayers, and seeks to inspire and harness the spirit of volunteerism in society (Akhuwat 2015).⁵ The interesting point here is that MFIs that offer products which are more Sharia-compliant will eventually compete for the same clientele as MFIs that do not. This alternative is always better for the borrowers, as there is no interest and no pressure to return the money. However, credit may be in short supply for many of the borrowers, as there is no obligation to return the money needed to continue lending. Furthermore, more conventional MFIs like Kashf are perhaps more established and have a loyal clientele who are otherwise satisfied with the services being offered to them. This clientele might not be willing to switch easily to alternatives like Akhuwat.⁶ Yet there might be indirect support and pressure from within the communities on behalf of Sharia-compliant MFIs,

⁵ The MIX market also lists Akhuwat as the 3rd largest in Pakistan in terms of active borrowers and 7th largest in terms of loan portfolio (larger than Kashf in both the terms).

⁶ Disclaimer: Akhuwat is just an example being quoted as a possible alternative to conventional MFIs mostly because of the scale of its operations which is compatible with Kashf. At no point whatsoever was Akhuwat mentioned by the respondents of the survey in any context regarding the operations of Kashf or other MFIs whatsoever.

either voluntarily or perhaps even with support from MFIs to those who endorse them. Understandably, the fact that Sharia-compliant MFIs operate from religious sites such as mosques would make them more approachable and perhaps more popular with local communities that are predominantly Muslim. The respondent in Sheikhpura, who was very vocal in expressing his displeasure at conventional MFIs like Kashf that operate through interest-based loans, denied all claims of support from such alternative Sharia-conforming MFIs or their supporters for his efforts in confronting conventional MFIs. However, MFIs with products for the local communities based on conflicting ideologies or principles, may confront strife or opposition amongst the supporters or employees of rival MFIs, due to their motivation to endorse MFIs that are more in accordance with prevailing beliefs or culture. Therefore the imam who opted for an MFI loan despite his stance against interest-based loans, could be a part of such a Sharia-compliant MFI, due to their close associations to mosques. Unfortunately, this could not be verified.

Beyond the issue of ideology, in general, women respondents reported a higher rate of provocations and threats from the extended family than did men. In addition to the extended family, neighbours and peers were also among the major provocateurs militating against MFI membership. The main reasons cited for these provocations were opposition on religious grounds and envy. As stated in the previous section, the respondents from the borrower HHs, especially men, had a much more pragmatic attitude and were less intimidated by such issues as loss of face or fear of religious leaders. As long as they themselves were convinced of the decision to opt for a loan, and secure in the fact that they did not have to fear the loss of authority in the home, it did not matter that the official recipients of the loans were the women. One such respondent from Gujranwala stated:

“We were already married seven years when my wife first suggested that we borrow from Kashf to invest in a motorbike for speedy delivery of the milk from our cows. My parents and brother were extremely unhappy about the decision as they thought my wife would then make claims [on the revenue generated from the sale of the milk]. I knew that even if she did, the money would be invested back in our children and we would be able to deliver milk faster especially in summers [to avoid the milk from going bad] and make more money” (interview with male borrower, Gujranwala, Punjab, Pakistan).

Credit appropriation by women within social institutions like the HHs or communities is usually followed by a pattern of rivalries and envious struggles within these units, and this pattern has been commonly observed (see Guerin et al. 2010 and Maclean 2010). In the case of joint HHs

like that of the respondent, some relatives feared that his wife opting for a loan would affect the households' decisions like resource allocation and management, and were concerned that the wife would bargain and negotiate a new place in the pre-existing familial hierarchy due to her contribution to the household budget (see Guerin et al. 2010). The loan materialized despite opposition from the senior members of the immediate joint family, because the male guardian in this case felt secure enough in his position and convinced of the net benefits of the loan to his HH.

On the provider side, Kashf employees have also had a tough time conducting their operations within the communities. Table 5.6 presents some statistics on this.

Table 5.6: Responses from Kashf employees concerning problems/ hindrances they face

N	11
When in the field always cautious/ wary of attitude/ surroundings/ people/ language	11
Have faced difficulties/ were hindered in approaching clients from different groups	10
Clients prefer to keep membership secret from extended family/ neighbours/ peers	8
Groups specified as causing trouble/ difficulties that hinder employees in their work	
Members of the religious faction	10
People of the locality (local leaders)	8
Family members of the borrowers	3
Loan officers/ employees of other MFIs/ banks	3
Advocates/ lawyers	3
Landlords/ rich powerful men and their devotees	2
OD clients ¹	2
Clients have been hindered in paying instalments due to external (third party) influence	6
External influence (3rd parties) specified via client complains as hindrance in timely payments	
Moneylenders	2
Loan misuse	2
Envious family (jealousy)	1
OD clients	2
Trouble or support from government agencies in general and during crisis	
Trouble	8
Support	1
None	3
Specification of government agencies/ employees who cause trouble	
Local politicians/ nazims/ councillors	4
Police officers	2
Public prosecutors/ advocates	2

1. OD (over draft) clients are clients who are current defaulters of loans disbursed in and before 2008 and the delinquency crisis resulting in major default from clients of Kashf.

From the discussion in the previous sections, it comes as no surprise that topping the list of troublemakers within the communities, as identified by the Kashf employees, were members of the religious faction. Almost all loan officers interviewed referred to one encounter or another by the religious faction or their supporters, which caused the loan officers difficulties in their work. Other groups identified for such behaviour were people of the locality and neighbours, family

members and loan officers from competing MFIs, advocates and lawyers were specified as a group on the list of trouble makers. The trouble encountered from the categories “people of the locality or local leaders”, “advocates and lawyers” and “OD clients” have been mostly associated with the crisis that the microfinance sector faced in 2008/2009 in Pakistan. In this context, one Kashf branch manager stated that:

“...since MFIs in Pakistan work in a very volatile and strenuously increasing competitive environment, any rumours from any faction, especially legal advisors, local political leaders or police and government employees about MFIs’ ‘helplessness to take any legal action in case of default’ or loan write offs have proved to have grave consequences for the MFIs” (interview with Kashf branch manager, Punjab, Pakistan)⁷.

The statement from the branch manager of Kashf above was made in reference to the delinquency crisis in the years 2008/9. At the very centre of this sector crisis was Kashf, where clients all over Punjab and Pakistan stopped repayments due to aggressive and harmful interventions from several actors that initially started off in the district of Sheikhupura, Punjab, and then spread uncontrollably to all parts of the country (see Burki 2009). The spark for this mass default is said to have been a local politician, who is reported to have promised his support in having the loan of a woeful MFI client who was behind in her/his repayments to Kashf cancelled. The politician had basically used the woeful client’s plea for intervention as an opportunity to gain political mileage from the local community members before the upcoming elections. The following section will discuss the crisis in more detail.

Microfinance Delinquency Crisis 2008/ 2009

According to a report commissioned by the Pakistan Microfinance Network (PMN), “Groups of borrowers of one of Pakistan’s largest microfinance provider (MFP) – referred in this report as MFP-X – refused to repay loans amidst rumours of mass loan write offs” (Burki 2009, p.1). The “MFP-X” in the commissioned report is Kashf as confirmed by several interviews with the Kashf employees and clients. The facts of the whole story as stated by the interviewed respondents of this study and those stated in the report conform perfectly. Kashf management itself would not confirm this. However, one senior executive staff member did provide a cue, in a discussion, to refer to this commissioned report by Burki 2009.

From discussions with the Kashf employees and clients, the crisis was reported to have

⁷ The branch manager wished to remain anonymous for this statement, so the district of the branch is intentionally omitted.

started in the administrative unit of Muridke of Sheikhpura district, where a local politician backed borrowers of Kashf in resisting repayments, encouraging the clients to default. This was then exacerbated by all kinds of goons who saw some window of opportunity to benefit in economically by lending their supports to rival MFIs, local elites and rich landlords, moneylenders and politicians who jumped on the bandwagon to advance their vested interests. One of the most prominent channels employed to dissuade Kashf's clients from going about their regular course of action were spreading mass rumours of the death of Kashf CEO, who had allegedly written off all loans before her death (Burki 2009). According to multiple respondents in Muridke, Sheikhpura, for this purpose several hundred copies of bogus newspaper articles in the local daily newspapers were doing the rounds in the locality, allegedly with Kashf's CEO's last interview on her deathbed. This wreaked havoc upon Kashf's normal operations. The lending mechanism of Kashf before 2009 was group lending, but during the crisis "unzipping" of the groups occurred. This is a phenomenon described by Matin (1997) as when the entire group, burdened by excessive or multiple default, sees no further hope of continuing loans and decides to default en masse⁸ (Wright and Rippey 2003, p. 4).

All the claims related by the survey respondents in Sheikhpura were corroborated in the report by Burki (2009, p. 12): "...the rumour was spread through word of mouth carried by borrowers social network, and through province wide sale of photocopies of an article of local newspaper, being sold to borrowers for PKR 500 (USD 6.25) to PKR 3000 (USD 37.5) per copy." A potential defaulter, having instalments of several thousands of PKR open, would have been tempted to pay just 500 PKR for the paper, in the hope of securing it as a piece of evidence for not having to pay back, or to convince the rest of his group members to defect from regular repayments. For those offering these, inciting default products was therefore a lucrative business to make high profits as long as the opportunity was there. Likewise, several other opportunists, including advocates and legal representatives, started offering services of legal action for a fee to all the defaulters in the court of law. Like the producers of the fake newspaper articles, these professional groups probably saw a window of opportunity to make money. Still other defaulters were supported by local government officials and union councils. The reasons for such support, however, are unclear and open to interpretation; this may have been due to social or familial associations, or to economic favours and compensation for such support.

The report also listed a number of other factors contributing to the crisis, like the rapid growth of the microfinance industry, increasing competition and overlap, and multiple

⁸ The term "unzipping" was used by Rutherford first in 1992 and cited in Burki (2009), Wright and Rippey (2003) and Matin (1997); however none of them list the original source in the references.

borrowing. However, support from local politicians for political mileage and legal advisors of all sorts trying to cash in on the opportunity seemed to have been the trigger for the revolt from the borrowers, and the crisis spread before it could be contained. During this delinquency crisis, interference from all sorts of agencies (private and government), groups and individuals, trying to turn the Kashf crisis into an opportunity to benefit personally, caused twofold damage. One, these actions affected Kashf's performance, both in terms of outreach and sustainability. Second, these actions damaged the sustainability of the sector in general, undermining the reputation and image of the microfinance industry, which had been built up over decades through the hard work of several serious and reputable organisations.

In the wake of this delinquency crisis, Kashf partially stopped new disbursements. This curtailed growth immensely for the coming quarters and years, in contrast to the rapid growth that the organisation had experienced in the past (see Kashf quarterly report 2009). The overdraft (OD) clients were offered incentives to return their loans and reconcile as clients. Many opted for this, but quite a few have still not paid back their instalments. In addition, Kashf has had to overhaul its lending mechanisms and come up with more stringent, elaborate and formal instruments for repayment of loans post-crisis. Kashf is now more selective in who qualifies for a loan, and obviously this has an enormous effect on what kinds of borrowers are targeted, and if they are bankable. Group lending has been abandoned and loans are now issued on an individual basis, relying on individual responsibility rather than building centres that promote joint liability (Ibid). Account holding with a bank by either the borrower or the male nominee is now mandatory as an active policy choice by senior management. Kashf also undertook intensive strategic measures to mitigate operational risks concerning external actors during and following the quarters after the crisis in 2009. First and foremost among these were “...*developing a strong contact with external stakeholders including the politicians, the administration and media through a proactive PR strategy*” (Ibid: 4).

Conclusively, for Kashf and its clients, interventions of all sorts from external actors was a cause of harassment on different levels. Individuals or groups representing members of the religious faction, rival MFIs, local politicians, people of the locality, government officials and clients' families have affected Kashf's operations in general, and hampered its operations massively during the delinquency crisis in particular. Religious ideology, especially an often-stated preference for replacing conventional MFIs with Sharia-compliant MFIs on local and national levels, is a major motivation for the interventions of the members of religious faction in local communities.

5.4.3 Domestic & household reactions to women's MFI membership (Component 4)

Up to this point, this chapter has focussed on the perceptions and actions of the wider social milieus and ties of the survey HHs, both borrowers and non-borrowers. This section will analyse the fourth and most important component in the loan take up decision process, namely opposition (if any) at the HH level from intimate family circles, like the spouse, in-laws or the immediate family, to women's MFI membership.

Table 5.7 lists statistics regarding male nomination and domestic disharmony due to MFI membership. Similar to the case of NEED in India, as per Kashf's lending policy, loans can and will only be issued conditional upon having a male nominee for the loan. When I questioned the requirement of male nomination, it appeared to be a bit confusing for both the Kashf management and staff and for the respondents of the survey, who took it as a matter of course. Very few seemed to have an opinion on why this was so and why the women could not opt for a loan even when they did not have a male nominee or the backing of one. The condition of a male nominee was deemed logical and legitimate on the grounds that in a patrilineal society like Pakistan, the consent of the family head is a natural course of things and would only safeguard family harmony and ensure the timely return of the loan. Women themselves were regarded as a secondary authority (if at all) amongst the HHs even for their personal decisions and choices.

Table 5.7: Male nomination, domestic violence/ conflicts and MFI membership

N	Borrower HHs		Control Group		Difference in sample means (p-value of t-test) ¹
	women	Men	women	men	
Reported by	women	Men	women	men	
Male nominee condition obligatory by the MFI for issuance of loan	43	35	-	-	-
Husband male nominee for MFI loan	31	-	-	-	-
Female respondent has considered taking a loan from an MFI	-	-	8	6	-
Physical and verbal violence common in household	19	15	5	3	-0.0549 (0.655)
Conflict/ domestic disharmony in household due to (desire for) MFI membership	12	8	2	1	-0.1135 (0.278)
Relationship between the respondents has deteriorated due to (desire for) MFI membership	11	7	0	0	-0.2307 ** (0.014)
MFI membership (perceived) as means to more economic strength and way to deal with marital violence	8	-	3	-	0.0639 (0.631)
HHs where violence was prevalent to membership and the level of violence/ HH disharmony has gone up post MFI membership	13	-	-	-	-
Physical/ verbal violence from family members other than the male guardian due to MFI membership	9	-	1	-	-0.1184 (0.3765)

1. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs);
*p<0.1, **p<0.05 and ***p<0.01 (two-tailed).

This male nominee conditionality was not unique to Kashf. Other MFIs operating in Punjab and indeed across Pakistan had this policy for loan applications. However, this conditionality for the loan does not account for the state of women who aim for economic independence through investment in their small enterprises and either have male guardians who would refuse their desire to access credit or have no male guardian at all. Neither does it help women who would want to escape domestic violence by making efforts to fend for themselves or their children without depending on male guardians or spouse. Relatively speaking, Kashf was more flexible in the nomination of male guarantor compared to NEED in India, whose policy of “married only clients” and “husband as male nominee” mostly failed to serve the many women who were unable to comply with this policy. The fact that almost a third of Kashf clients did not have their spouses as their male nominee, compared to only one in every ten NEED clients, is one indication of this flexibility. Nonetheless, this rule still discriminates against women who do not have the support of a male nominee.

When looking at the responses from the interviews of the women from both the sample groups, it becomes difficult not to judge the adjusting and compromising nature of the control group women. Although two thirds of the women from the control group acknowledged wanting to opt for a loan from an MFI for some micro economic activity, few would persist in the face of initial opposition by their husband, male guardian or immediate family, as indicated in Table 5.7. Only a fifth of women from the control group stated that their persistence in their desire to acquire an MFI loan was indeed a cause of disharmony in the HH. This could be interpreted in multiple ways: either the women were not serious or motivated enough to go through with their goal of economic activity, or they were simply too acquiescent or perhaps intimidated by the opposition within the HH. From what the women who did actually want to opt for a loan, communicated, however, the latter was the more important factor. For many women their acquiescence and wariness in the face of intimidation put them off their path of realising a membership with an MFI.

One such statement from a respondent in Gujranwala illustrates the point here.

“My husband is a very hard [strict] man. When he says no to something, you do not ask a second time. I am a skilled tailor [clothes/ dress maker] and have a manual sewing machine.....with a small loan, I can buy an electric one and earn quite a bit of money by sewing peoples clothes in the neighbourhood and my daughter can use my manual one to help me out with the smaller [easier parts of dress making not needing a lot of supervision] things after school. I did not even get to explain my whole plan to my husband, after I saw how angry he got even at the mention of a

loan from an MFI.....its' been two years since my words froze in my mouth after I started off and I have not mentioned it again, I am too scared of his reaction" (interview with female non-borrower, Gujranwala, Punjab, Pakistan).

Still another respondent, from Kasur, had a similar story to tell

'We live in a joint family with my husband's three brothers, their families and my father in law. My father in law sees over all matters of the HH.....including the decisions that we as joint family have to take. My husband and I would not dare raise the question of an MFI membership, even though we have discussed this among us. My father in law and two of his sons would never allow any of us women in the HH to become an MFI member. It would cause a lot of stress and tension amongst the brothers and my father in law if I were to press or insist on getting a loan from an MFI...my husband has strictly advised me not to mention this in front of them [father in law and brothers in law]...he does not want me or himself to be the cause of strife within this family' (interview with female non-borrower, Kasur, Punjab, Pakistan).

As the stories above show, women are impelled or cajoled into conformity by their mostly male HH heads. Any inkling of protest whatsoever carries with it the burden of being labelled and blamed as the destroyer of peace within the mostly joint family HH structures. In such a scenario the husband might be a direct or indirect perpetrator of his wife's coerced acquiescence or intimidation into conformity with acceptable behaviour as per the husband or his family's desire. In any case the husband would get to maintain his authority (whether or not he is a direct perpetrator) and in most cases may prove to be the upholder of family peace and harmony, although wife might not see the whole scenario as harmonious. This acquiescence of women would then explain the fact (as depicted in Table 5.7) that even when there is disagreement or disharmony on the issue of MFI membership, the women would never let it get to a point where the relationship between her husband and herself would be negatively influenced.

Compared to the picture of acquiescence in non-borrowing HHs, however, in talking to the women from the borrower HHs, I got a totally different impression of how they dealt with and accommodated such issues of male dominance and intimidation into conformity with acceptable behaviour. Women from borrower HHs reported that their relationships with their male guardians had deteriorated due to the loan and this difference in reported deterioration of relationships was statistically significant. One explanation for this escalation can simply be that

MFI clients who reported their MFI membership as a means to deal with marital violence, have actually opted for a membership with an MFI so as to deal with relationships that were already not harmonious, in contrast to women from the control group who did not get to opt for a loan, again perhaps due to their acquiescent tendencies. Relationships of borrower women that were already violent before the loan might have taken another plunge downwards as these women attained a certain degree of financial independence. This financial independence might result in making the women less prone to previously unavoidable provocations whenever the women needed financial upkeep of HH needs from their spouses. The male spouse might perceive this as another challenge to his dominance over his female counterpart, and the ensuing increased violence may be interpreted as possible attempts to correct or resist this challenge. In comparison to India, there were no cases of violence due to alcohol abuse in Pakistan. According to the survey respondents from Muslim HHs, there was almost no alcohol consumption within these HH, with the exception of one. Several Christian HH respondents did acknowledge alcohol consumption, but none reported excessive alcohol abuse as was the case in multiple HHs in India.

Also approximately 21% of women from borrower HHs had encountered violence from their family members other than their male guardians, compared with only 8% of the control group women as reported in Table 5.7. Such incidents of violence from family members other than the husbands or male guardians were higher for women of borrower HHs, as more of them had dwellings of joint family structures (see Table 5.1). Again, similar to the case in India, the perpetrators of the violence inflicted on women were senior members within the family, usually in-laws both male and female.

It is also important to note that the women from borrower HHs in general described intensified or higher levels of violence with their HH initially due to their loans from Kashf. This level, according to many, had gone down over time and the relationship was stable. Women were relatively more confident in their relatively new attained status with their spouses and within their HHs. A respondent from Lahore, whose statement from her interview was quoted at the very start in the introduction, reported such a change of attitude and progress of her husband's behaviour towards her over the years. The respondent was a client with Kashf for over four years and had started work through a loan invested in paying for a seasonal contract, a kind of a licence from shoe companies to make shoes with her whole joint family employed in the work from her home. During the entire interview at the respondent's home, she was working simultaneously on making shoes alongside her husband and his brother, and insisted that she did not need to be interviewed alone as there was now no fear of talking about all the violence in her

relationship in the past. One could not help but notice how lightly and with what confidence she related the whole process of change over the past years, which were marked by physical and emotional abuse according to her own statements. This change of attitude toward an MFI loan may be compared to the similarly oppositional stances of men within the families of her counterparts from non-borrower HHs previously discussed. Many in the borrower HHs related similar stories and attitudes of their husbands or immediate in-laws or family members.

Another one from Sheikhpura who ran a small glass bangle works with her family of 8 described a similar change having taken place:

‘My husband and my in-laws now stand behind me 100%. However in the past, I have had to bear quite a lot of beatings and insults from them and was constantly made to feel useless.....my daughters were not sent to school and had to work several hours a day in making bangles. Initially my idea of a loan with Kashf was scoffed at by him [husband] and his family; however I did not give up and had others from the neighbourhood who had joined Kashf come over and convince how they were benefitting from the loans....after the first cycle of the loan of our neighbour was over my husband secretly let me join...later on his family found out and gave us a hard time....however that too got better with time’ (interview with female borrower, Sheikhpura, Punjab, Pakistan).

Conclusively, it was no easy journey for these women to go down the paths that they did. Despite their violent relationships and dominating husbands, they were quite steadfast in their undertakings. Their husbands eventually grew supportive of their decisions to pursue a loan and more financial independence in the face of the larger families and communities. Again as in the case of India, most of such stories came from clients who were long-time borrowers with Kashf and had also had to deal with the insecurities of their husbands and families, fearing men’s authority in the HH or a revolt against family hierarchal structures.

For the control group HHs, not only were the men less accommodating, but also the women were acquiescent and rather less inclined to challenge the authority of the men or complain due to fear of HH disharmony. Table 5.8 lists statistics on the disposition of power positions within the HHs. One can see from the table that although women in both the sample groups were just as likely to be afraid of disagreeing with their spouse, nonetheless, this did not stop the women from borrower HHs from adeptly finding ways to delicately place their agendas on the HH’s decision-making lists. In general, the figures show that the women in the borrower HHs have relatively more freedom of self-determination, fewer restrictions from their husbands and families and are more mobile compared to their counterparts from the non-borrower HHs. For

example, three quarters of borrower women reported that their male guardians would allow them to improve their education, in comparison to only about half of the women from the control group. Similarly, the figures for restrictive attitudes toward women in the control group HHs were almost double those in borrower HHs. Likewise, the tendency of men from borrower HHs to have a more open and liberal attitude to women's independence of choice concerning their education, working status and decisions of self-determination was higher than their counterparts from the control group.

Table 5.8: Power positions, interpersonal attitudes and intra-household dynamics

	Borrower HHs		Control Group		Difference in sample means (p-value of t-test) ¹
N	43	35	12	9	
Reported by	women	men	women	men	
Male guardian is the head of household	23	-	7	-	0.0484 (0.770)
Male guardian consumes alcohol/ drugs	7	3	3	2	0.1098 (0.216)
Respondent has a say in how earnings are to be spend	34	32	9	9	0.0109 (0.902)
Respondent is afraid to disagree with male guardian	23	-	7	-	0.0484 (0.770)
Male guardian would permit the female protégé to improve education	32	28	6	4	-0.2930 *** (0.008)
Male guardian has a restrictive attitude towards women ²	11	10	5	4	0.1558 (0.173)
Mobility of female respondents is restricted due to family confinements	11	8	4	3	0.1064 (0.341)
Male guardian finds derogatory behaviour/ physical violence towards women normal/ commonplace	7	5	2	2	0.0366 (0.689)
Male guardian finds women's independence of choice normal/ commonplace	16	25	2	4	-0.1843 (0.2226)

1. The p-value refers to a t-test of the difference in the means for borrower HHs – non-borrower HHs); *p<0.1, **p<0.05 and ***p<0.01 (two-tailed).
2. See Appendix 7 for a definition.

Interestingly, the difference between the sample groups regarding intra-HH power positions is hardly as pronounced as was the case between the two sub-groups in India. With the exception of one element, namely that the male guardian would allow the female protégé to improve her education, none of the other categories in Table 5.8 on the power positions of men and women were statistically significantly different between both the sample sub-groups. This means that there is not much significant difference in the attitudes of men towards women and their resulting respective freedoms between the borrower and non-borrower HHs, which might explain why control group women were hindered in opting for MFI loans given the obligatory male nomination for the loan. Still, more women from borrower HHs were challenging

patriarchal structures and less afraid of disturbing domineering familiar structures and hierarchies. The opposite could be said, however, for women of the control group, as discussed above.

Another point on the men of the borrower HHs is worth mentioning here. Unlike their counterparts from control group HHs, men from borrower HHs were more flexible and accommodating in their attitudes and could, if they wanted to, deal with the various pressures or opposition within their families or communities at large concerning a loan option for the women in their HHs from an MFI. However, for this to happen men within these HHs have needed time to realise that their female counterparts loan decision and financial contribution to their HHs must not necessarily come as a challenge to their male authority and insecurities regarding this issues have to be put aside.

Men's non-liberal and inflexible stance in the control group HHs may explain the non-borrowing women's lack of initiation or self-determination regarding loan decisions. Table 5.9 presents some statistics of the control group HHs regarding this.

Table 5.9: Selected characteristics of non-borrower HHs regarding MFI association

N	12	9
Reported by	women	men
Awareness of credit possibilities on the market ranging from formal banks to informal credit associations (ROSCA/ ASCAs)	11	9
Income situation of the household		
Earn enough to make savings	6	2
Income only just enough to meet expenses	5	4
Income not sufficient to cover all living expenses	1	1
Female respondent has considered taking a loan from an MFI	8	6
Reasons for not opting for a loan from an MFI¹		
Husband/ family oppose	8	5
There is no need for a loan	5	5
Community shuns it/ religion forbids it	4	3
Other means of cheaper credit like ROSCAs/ ASCAs preferred	4	3
Opinion of husband/ family on loans from MFI		
Negative/ oppose MFIs	8	6
Indifferent	2	1
Positive	2	2

1. Checking more than one possibility per respondent was allowed such that there could have been multiple reasons given by the respondents for not opting for a loan from an MFI.

Out of every three, two of the female respondents from the control group HHs had considered taking an MFI loan; of these all had not opted to do so, as the decision was mostly not backed by husband or their immediate family. In over 50% of the cases there was opposition from the religious faction or the community, or interest-free versions of microcredit like ROSCAs were preferred. Even when the HHs are financially in a fragile situation and the

women would want to help out by wanting to invest in self-employment or some other income generating venture with a little capital from an MFI, it could not be realised due to such opposition and an obligatory male nomination for the loan. Responses from male respondents from within the control group HHs tallied with the responses of their female counterparts regarding their own and families opposition regarding MFIs. Consequently, this clearly points to the fact that MFI's target populations are hampered in their decisions to opt for loans due to opposition within their HH's familial settings.

In sum, the socio-political milieus of MFI clients play a decisive role in whether or not a loan is taken up or not, as the empirical evidence for the case of Pakistan from the previous sections clearly shows. Amongst the various actors, the most important role is that of the immediate familial circles of the women, especially the attitudes and opinions of men towards women's membership with an MFI. In a patriarchal society like that of (Punjabi) Pakistan, women's personal decisions and choices within the HHs are mostly secondary (or lower). Hence whenever there is a general restrictive attitude to women in their HHs and communities and an antipathy or opposition to MFIs from the male heads of the HHs, a woman's decision regarding loan take up would most probably not materialise even if there is a need or desire for one. On the contrary, the male guardians' support is critical for the decisions of the HH. When this support is given for a loan from an MFI, it will most probably result in a positive outcome for a loan decision. It is this crucial support that has brought about the obligatory requirement of a male nominee as a loan guarantor for Kashf and all potential MFI clients in the country. Thus there is undeniable proof to accept Hypothesis 1, *that a stronger position of men in the family or society will make outreach to women more difficult.*

Also, the difficult path of many women from borrower HHs reflected an important transition, from facing oppositional and violent relationships with dominating husbands, to relatively supportive ones willing to countenance their decisions for a loan and more financial independence in the face of the larger families and communities. The women's steadfastness and dedication in their undertakings was a major contributor to this end. Despite little difference in the attitudes of men towards women and their resulting respective freedoms between the borrower and non-borrower HHs, more women from borrower HHs were challenging patriarchal structures, and they were less afraid of disturbing the domineering familial structures and hierarchies. For the control group HHs, not only were the men less accommodating, but also the women were acquiescent and rather less inclined to challenge the authority of the men or complain due to fear of HH disharmony. A difference in the attitude and nature of how men tackled issues of communal norm compliance or familial decisions like loans from MFIs was

observed within the two sample groups. The willingness of men from the borrower HHs *not* to involve others, like the extended family or community from within their social circles, made them less prone to the influences of actors like the religious leaders of the dominant Muslim society. However, many of their counterparts from within the control group HHs seemed to be strongly affected by the popular teachings of their faith against interest-based loans. Many would go a step further and preach against such financial practices voluntarily, promoting other interest-free alternative MFIs that operate from religious communal places. Also important in this context were the general attitudes towards borrowing, where it is generally scoffed at and is seen as best avoided. Therefore, there is some evidence to accept Hypothesis 4, that outreach *will be negatively influenced when there is fear of persecution, stigma or sanctions from the community and religious factions.*

Regarding hypotheses 3 and 4, regarding the presence of established local moneylenders and the strong feudal structures affecting MFI operations or outreach negatively or making it more difficult, the situation is not so grave. Moneylenders were relatively harmless and while feudal structures retained a strong presence, they did not pose a direct threat to MFIs operation as such. However, as was demonstrated in the section on the delinquency crisis of 2008-2009, interventions of all sorts from external actor's including moneylenders and locally influential politicians and landlords, but also individuals or groups representing members of the religious faction, rival MFIs, people of the locality, government officials and clients' families massively hindered Kashf's operations. Thus, question 2 in this chapter – do interventions from various local actors within the working areas of MFI affect the MFIs' operations? – can be answered with yes, especially in times of crisis. Under normal circumstances however, the evidence is rather weak and sketchy to accept hypotheses 2 and 3, *that the outreach of the MFI is negatively influenced by a strong establishment of local traditional moneylenders, and that outreach will be more difficult when the feudal structure is very strong.*

5.5 Conclusion

The social life of MFIs within the communities they serve, and the everyday life and perceptions of the target clientele within these communities play a central role in affecting the operations of MFIs. Findings show that women clientele cannot even access or apply for a loan without an obligatory requirement of a male nominee from within the HHs. Considerable tension arises from disagreements over whether to apply for a loan, as the household power positions were generally characterized by a domineering patriarchal set-up where men dominate all important HH decisions. Opposition from male guardian and family (both immediate and extended) in general was a deterrent for many HHs, particularly the women within them, opting

for a loan from an MFI, even when women themselves clearly wanted to opt for a loan. The intimidating and domineering male authority in many HHs, and hierarchal familial structures especially in joint family set ups leaves little room for women to pursue a loan from an MFI. In some instances the perseverance and steadfastness of the women, in pursuing a loan despite strong opposition and lack of support from her husband and family, resulted in a remarkable shift over time in the attitudes of the male guardians in particular and other extended family members as well.

In general when men within the HHs had a more open and adaptable attitude towards borrowing and MFIs – as well as in their attitudes towards women and their basic freedoms in particular – they were more likely to support the loan take up decision even when there was opposition from the immediate family and community. Opposition to MFIs based on religious decrees from the religious factions was observed to be a strong force in hindering Muslim HHs from MFI membership. Negative propaganda after Friday prayers in religious places was one tactic employed by the religious leaders, pesh-imams and their supporters in order to keep potential HHs from opting for an MFI loan or allowing other family members to do so. The basic point of conflict between the supporters of the religious faction and the operations of contemporary MFIs is the concept of interest on loans, which runs counter to Sharia. Also there was a strong abhorrence toward borrowing or loans in general within the communities. Many felt that this would result in being publically shamed if the loan instalments were not returned on time and could mean a loss of face for the family, which might harm the social standing of the family and as a result lead to their ostracism within their communities and families.

Contrary to the case of India, the issue of moneylenders, local influential elites and feudal lords was less grave in Pakistan. Moneylenders were relatively harmless and not necessarily of a higher social standing due to the social stigma around interest-based lending. However, they still did not have an amicable stance to MFIs in general. The reasons for this was that there were several small channels of moneylending, created within the local communities and markets through MFI loans that had been basically misappropriated by clients-turned-moneylenders. As far as feudal local elites were concerned, though feudal structures were much established and in place, they did not pose a direct threat to MFI operation as such. Kashf's services basically encompass financial literacy and entrepreneurial micro-capital provision, and they offer hardly any direct advocacy or awareness programmes. Such programmes that exhort the poor against such feudalistic structures might have faced a more direct and stronger opposition from the feudal elites and local influential figures. However, during a crisis situation as was the case during the microfinance delinquency crisis in Pakistan in 2008/9, interventions of

all sorts from external actors, mostly individuals or groups representing members of the religious faction, moneylenders, rival MFIs, local influential elites and politicians, people of the locality, government officials, groups of professionals like lawyers and clients' families massively hampered Kashf's and the microfinance sector's operations all over Pakistan. During this delinquency crisis, interference from all sorts of agencies (private and government), groups and individuals, sought to take advantage of the Kashf crisis and convert it into an opportunity to gain political, professional or economic benefits.

Therefore, MFIs face a number of challenges, and their clients face a number of pressures from within their HHs and local communities. Failure to take into account measures that would accordingly deal with such pressures would result in their outreach and sustainability being compromised. Like NEED in India, Kashf in Pakistan has adapted and adjusted a lot to the local needs and demands of efficient microfinance services. Kashf has had to shift from joint liability lending to individual lending, while requiring a male guarantor for the loan. Such conditionality is understandable, in light of the patriarchal system that they operate in, where male authority cannot be sidelined at will without expecting dire consequences. Still, it is discriminatory against more vulnerable groups of women who lack male support in a system that endorses male dominance. Gender of the loan nominee and marital status of the women wanting to opt for a loan should not play a role in qualifying for a loan or fulfilling the requirements. There should be measures in place for cases where such conditions cannot be provided for by the women. Kashf has shown some leeway in entertaining loan applications and disbursing loans to single women, or to women who are married but do not have their husbands as male nominees for their loans. Nonetheless, no loan application in their records has a female loan nominee to date. This should be acceptable in cases of serious loan applications where only a male guarantor is missing.

MFIs may change the nature of patriarchy in other ways through direct interventions. Randleman (2013) points out that for MFI loans to truly empower women as stated in the international discourse of MFIs: "MFIs should deepen their relationships with and support of the women's lending groups through increased collaborations, include the rural women's purposes and voices by employing more of the women at all levels of the organisation" (2013: 15). Thus by increasing the population of female employees within their institutions, these female employees could initiate a discourse in which the women and their families can perceive themselves and their daughters as subjects deserving of care, reciprocity, a voice and agency (Ibid). Furthermore, for the women borrowing from MFIs to benefit personally from the loans disbursed to them, a more durable change in their status within the HH has to follow. As suggested in the last chapter, in a patriarchal society, this can happen only when the patriarchal

hold on the family's productive assets is challenged. Making credit conditional to asset transfers in favour of the women concerned is one way to ensure that women build up an economic base for their future. Also it would be most effective if the women were provided with basic financial literacy and account-keeping skills to maintain transparency and accountability of the enterprises operations.

Interviews

Kashf Foundation

Kashf, Head of Operations (senior executive). Interview 25.03.2011

Kashf, Regional Manager: Kasur, Faisalabad, Sargodha (senior management). Interview 28.03.2011

Kashf, Senior Associate (middle management). Interview 28.02.2011

Kashf Business Development Officers (BDOs) and Branch managers, Punjab: 11 interviews in all

Moneylenders

Money lender 1, Awaalkher, Sheikhupura. Interview 24.02.2011

Money lender 2, Kot Abdul Malik, Sheikhupura. Interview 24.02.2011

Money lender 3, Maraj Park, Sheikhupura. Interview 25.02.2011

Money lender 4, Jallo, Lahore. Interview 17.03.2011

Households

Household interviews Kasur, Punjab: 14.02.2011 - 22.02.2011

Household interviews Sheikhupura, Punjab: 23.02.2011 - 28.02.2011

Household interviews Gujranwala, Punjab: 01.03.2011 - 07.03.2011

Household interviews Lahore, Punjab: - 17.03.2011 - 09.03.2011

6 Comparing the regions: Women microfinance clients in India and Pakistan in comparison

6.1 Introduction

The preceding chapters have dealt with the individual country cases highlighting the various components within the communities at different levels that can affect the performance of MFIs. In this chapter I will compare the particular components in the two regions to bring out the differences and similarities of the surveys in India and Pakistan and try to come up with possible answers to the research questions 4, 5 and 6 as outlined in the first chapter:

4. *How do women clients of the MFI in India differ from the women clients of the MFI in Pakistan?*
5. *Do MFI institutions and their clients face the same set of problems or difficulties from within the social and communal milieus in different set ups or countries?*
6. *Do MFI clients' communal, social and domestic circles have the same (or different) effect in both countries on their decision making process of opting for a microfinance loan or not?*

A comparison across the regions is relevant to see if the outcomes of MFI memberships are the same or not for the two regions given their relative similar settings and external inputs with the exception of the communal interactions and the cultural norms within the MFIs operation areas. In analysing these differences (or similarities) I will once again refer to the Figure 3 from Chapter 3, to determine which of the four components are most relevant in affecting the outreach and performance of MFIs in the two neighbouring countries. Whenever there is a reference to comparing the households across countries or regions, it relates to information from the survey households in both countries. The general conclusions from this information can be extended to generalise the outcomes for a larger population within the wider geographical space. The study areas represent patriarchal societies where decision-making within the HHs in particular, and society in general, are normally dominated by the men.

The following section will present a descriptive narrative of the neighbourhoods, the client profiles and the family compositions within the two regions. This will be followed by the main body of the chapter, Section 6.3 which discusses the socio-political milieus of the MFIs and the four components of the Figure 3 model, and brings out the similarities and the differences between the two regions across the countries. Section 6.4 concludes.

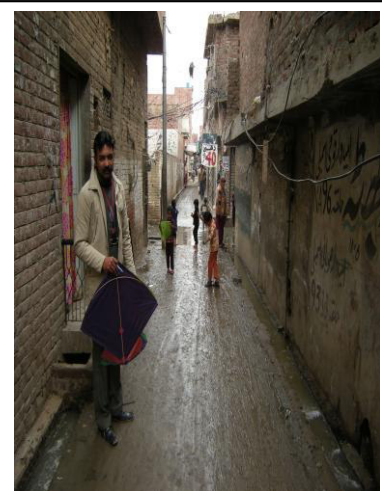
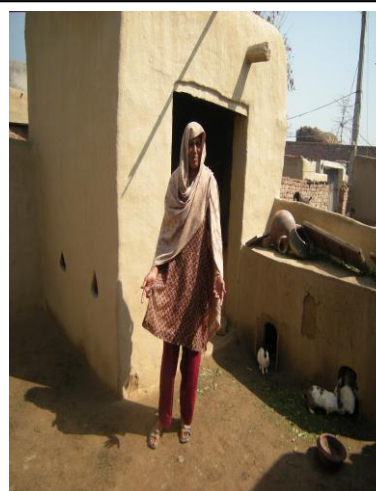
6.2 Demographics, households, neighbourhoods and client profiles

The survey locations in each country had both similarities and differences. Statistics on literacy rates and workforce participation rates of women in UP and Bihar were quite compatible with those of Punjab in Pakistan. Any differences in the outcomes of the results for MFIs due to demographics regarding the skills and possibilities for economic activities for women can therefore largely be ruled out. For example looking at the statistics for the other provinces of Pakistan in Appendix 5, it becomes clear that women in Punjab (Pakistan) probably have better opportunities for education and gainful employment than their peers in other provinces of Pakistan (e.g., Balochistan), but have a similar position as their peers across the border in states like UP and Bihar in India. In terms of societal structures, the northern states and provinces in both countries are characterized by patriarchal socio-cultural norms and gender relations that prescribe segregated roles of women and men. In both countries women's subordination within HHs and society restricts opportunities and choices for them.

Differences in the social composition of the two regions were pronounced, particularly along religious or caste lines and the level of poverty in terms of the survey households. The dominant religion in Pakistan and Punjab is Islam, whereas in India Muslims represent a large minority, comprising about 14.2% of the national population. UP, whose population is 19.3% Muslim, and Bihar, with 16.9%, have two of the largest Muslim populations inside the country (The Times of India 2015). Segregation along caste and kinship lines was intact in both the countries, though relatively stronger in India than in Pakistan. Even among the Muslim HHs, where normally Islamic ideology does not allow for such discrimination or segregation, historic presence of caste thinking that existed before the advent of Islam in the South Asian Sub-Continent is still in place. Whereas in India most of the survey households were classified as being from the lower castes and more poor, in Pakistan most of the survey households came from higher social castes and were relatively less poor. This is in line with the reported levels of poverty headcount ratios, (i.e., the percent of population living below

the international USD 1.25 per day measure for both countries). According to the World Bank's Global Monitoring Report for 2014-15 on the Millennium Development Goals, in 2014 India's GNI per capita/PPP was \$5760.00 in international dollars, and the percentage of people living below \$1.25 per day made up 23.6% of the population in 2012. In 2014 Pakistan's GNI per capita/ PPP stood at \$5100.00 in international dollars, but the percentage of people living below \$1.25 per day stood at 12.7% of the population in 2011 (World Bank 2015). This means that although Pakistan is poorer than India, it has much lower levels of poverty due to its greater equality in income levels (see Chakravarty 2014). Moreover, MFI target populations in the two countries varied in terms of income. NEED in India targeted the poorest households (where vulnerability and poverty mostly affect the lower castes). KASHF was more focussed on serving the economically better-off poor who already had a steady income base, even if it was not much. The level of poverty of the clients is also reflected in the average loan size in dollars, as loans to Kashf clients in Pakistan is on average 45 USD higher than loans in India to NEED clients. In addition, the level of poverty in the states of UP and Bihar from personal observations was higher than in Punjab (Pakistan) in terms of access to basic amenities like clean water, electricity, sanitation, schools and medical facilities. The hygiene levels, in terms of infrastructure for proper drainage, sewerage and cleanliness were not much different. Illustration 2 presents three field pictures in Pakistan showing Kashf loan officers in neighbourhoods with overflowing open sewers and standing stagnant water due to lack of a proper drainage system.

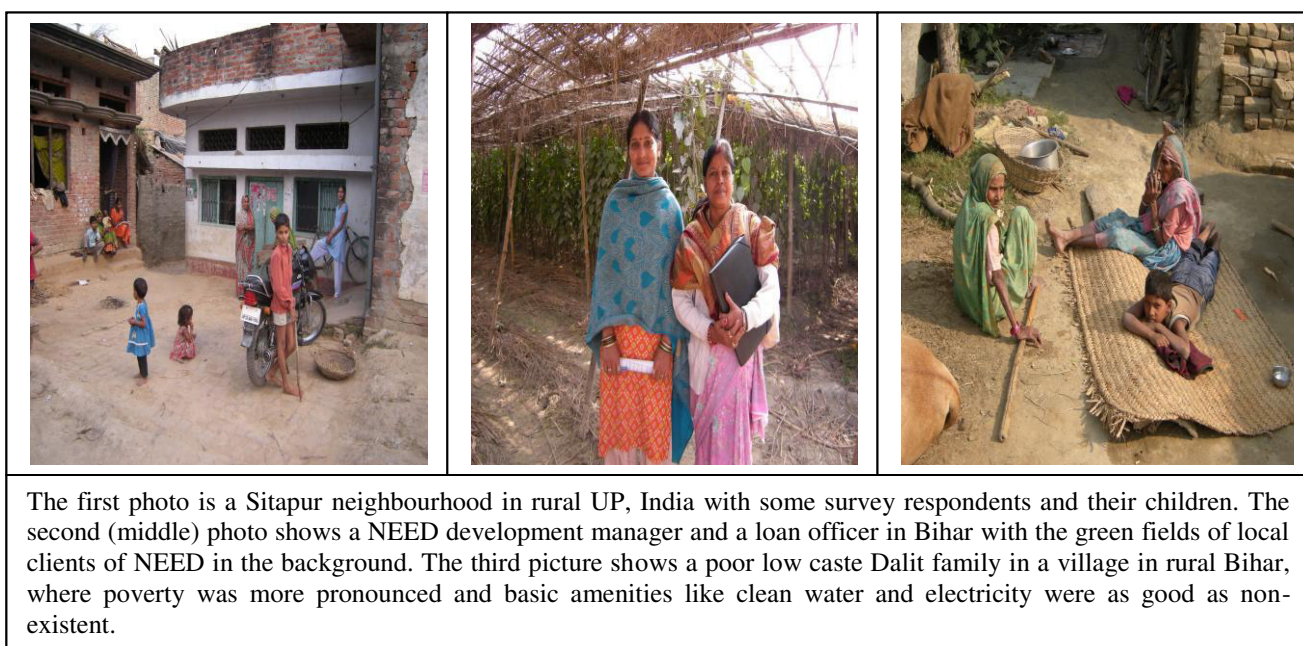
Illustration 2: Field Pictures in Pakistan



Loan officers of Kashf, in the neighbourhoods of the districts of Gujranwala and Sheikhupura in Punjab/ Pakistan. The open drains and a lack of proper sewerage system in the left and right pictures in the neighbourhoods demonstrates the catastrophic state of hygiene and sanitation within the communities. The photo in the middle shows a Kashf client who ran a small rabbit farm near her home in rural Sheikhupura. Her farm was initiated years ago with a loan and had grown over the years.

Illustration 3 shows some field photographs of the Indian neighbourhoods, loan officers and clients of NEED in the states of UP and Bihar in India. The differences along caste lines and the level of poverty of the survey households might well have an effect on the differences in general attitudes and outcome of the results in both regions and therefore it is worth noting.

Illustration 3: Pictures of Indian neighbourhoods

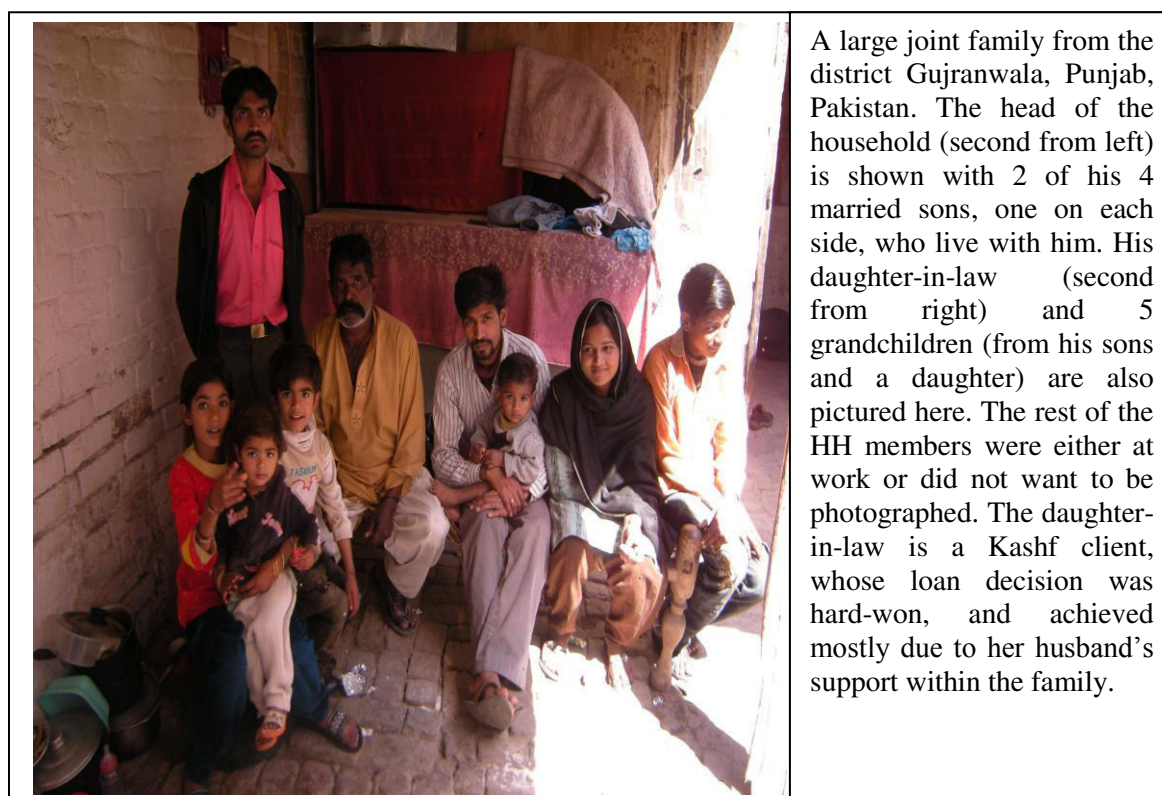


6.2.1 Household composition

On average, the household sizes in Pakistan were much larger than those in India. On the average there were 10.12 persons per household in Pakistan, and 6.61 persons per household in India. In addition there were more households living in the joint family system in Pakistan than in India. It is important to understand that the composition and size of the households can have a very important influence, not only on daily household decisions, but also on how power and authority within the household is negotiated, endorsed and exercised. It is very probable that the joint family system of the households in Pakistan can give the immediate family members sharing the same living premises more say in matters of the household, such that their positions and opinions can no longer be ignored (as they might be if they did not share a space). The immediate family members are members who are first blood

relatives who mostly also share living premises. Extended family members are understood as all those beyond the immediate family, like aunts, uncles and cousins, who might or might not share the same living premises. As an example of how issues must be negotiated among complex family constellations, we can imagine that a daughter in law wants to take out a loan. In such a scenario, the women in the households will not only have to have their husbands' permission for the loans, but also the approval of other family members and elders who share living space with her and her immediate family. Illustration 4 below shows one such large joint family from Gujranwala, Punjab, Pakistan, where only 9 of its 18 members are pictured.

Illustration 4: Joint family structures in Pakistan



A large joint family from the district Gujranwala, Punjab, Pakistan. The head of the household (second from left) is shown with 2 of his 4 married sons, one on each side, who live with him. His daughter-in-law (second from right) and 5 grandchildren (from his sons and a daughter) are also pictured here. The rest of the HH members were either at work or did not want to be photographed. The daughter-in-law is a Kashf client, whose loan decision was hard-won, and achieved mostly due to her husband's support within the family.

In short the composition of the household structure (joint or not) and the household size lends more weight to the relevance of component 2 (the respective family members/ actors viewpoints of MFIs), component 3 (their respective actions/ attitude towards the MFIs) and component 4 (opposition from the spouse/ close family), elevating their importance in the MFI loan decision process from Box 3 (Figure 3). I will come back to this point in the later part of the chapter when discussing the power relations within the households.

6.2.2 Neighbourhoods and social interactions

Of much importance for the analysis here are the milieus or the neighbourhoods, and how every day social interactions within the communities are lived and perceived. Having visited every household and neighbourhood personally enables me to judge their very distinct features. In India, communities and neighbourhoods were very closely knit and there was little or no concept of privacy of the families or individuals as such. This was especially the case in urban neighbourhoods, where space was very limited and there was hardly enough room under the household's roof for all the family members to simultaneously dwell indoors (see Illustration 5). As a result, families tend to occupy much of the public space like the areas immediately in front of their houses or streets and even their neighbours homes during the day, to go about their daily routines. The only time where all members of the family use the family quarters simultaneously is to sleep at night.

Illustration 5: Limited household space in the slums of Uttar Pradesh



With most of the family's time spent in the public vicinities of their homes or in their neighbours' houses, hardly any family affairs of the households were shielded from the neighbouring community members. Thus when interviewing the men and women within the households in the urban slums of UP for example, it was very difficult to find a private space where the interviewee could respond to my questions in private without any uneasiness, especially when discussing intimate household issues between the family members. Very

often at times I had to be quite straightforward and risk giving offense in demanding some privacy from the over curious neighbours, who would often insist that there were no family secrets between them and the interviewee. The intruding neighbour would then be very offended once they were forced to leave on my behalf and did not understand my insistence. The interviewee themselves would not dare ask the neighbour(s) to leave for fear of losing face, being labelled as inhospitable or fearing retaliation from the neighbour in the future. To make sure that the survey respondents maintained good relations with their curious neighbours after I had left, I returned to the offended neighbours with a local bag of candy to patch things up. It appeared to me that there were no incidents of resentful sentiments before my departure.

For an illustration of a similar scenario, see Illustration 6 where a scene from another slum in UP is pictured. The illustration shows one of the interview probes at the start of the survey. The curious neighbours within the household's yard would simply refuse to leave, so that I had to return at a later date again. This depicts the informality, ease and naturalness with which the survey households in India interacted on a daily basis with their peers and neighbours within their neighbourhoods. The situation got a little better (from the perspective of conducting discreet interviews) in the rural areas of UP or Bihar where space was less limited and not a big issue

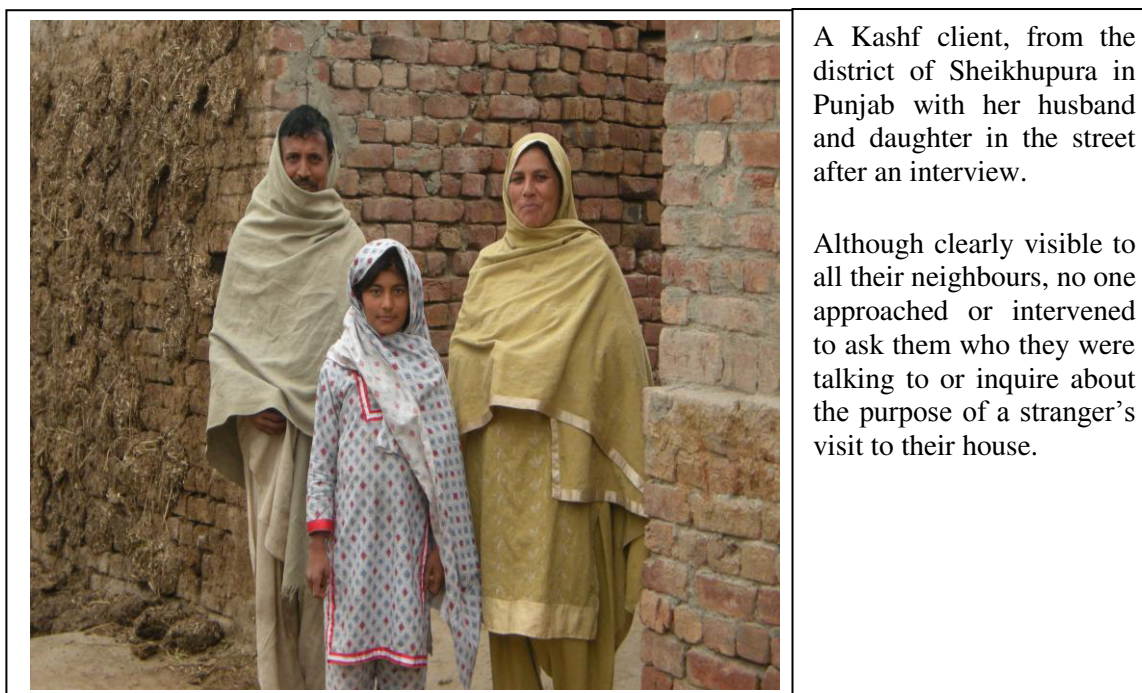
Illustration 6: Over-curious neighbours with little sense of privacy



A scene from a household in an urban UP slum. The female borrower interviewee (sitting in the middle on the ground), felt rather overwhelmed with all the attention that the rest of the neighbourhood women suddenly showed in her. The four other women sitting about and around are all the curious neighbours who gathered as soon as they saw me enter her house. The yard seen here with the toilet in the background, just had another room about 8-9 m², with the cooking done in the open space under a covered tin roof that is only slightly visible here. The household had 7 members in all sharing this space.

The same could not be said for the survey households in Pakistani neighbourhoods, regardless of their rural or urban set up. Although the neighbourhoods were closely knit and there were a lot of close interactions between neighbouring households, the residents of a neighbourhood were more cautious of intruding, and would draw back once I requested some privacy with the members of the household that I was interested in interviewing. The sense of privacy was more present within the neighbourhoods compared to the Indian neighbourhoods. Illustration 7 depicts one such HH from Sheikhpura, Punjab in Pakistan, where the members of the borrower HH are shown standing in the street after the interview. During the whole interview their main door was open and we were visibly sitting in the yard, but we were not approached by any of the neighbours passing by or by those who could see us from their own yards or open doors in the semi-urban neighbourhood.

Illustration 7: Pakistani family in front of their house



There seemed to be a general scepticism and indifference in the nature of how the social life within the communities was formed. This also implied that the HHs in Pakistan needed more time to warm up and entertain the whole idea of someone wanting to interview them for the sake of a study. Once they were reassured of total anonymity regarding their interviews and identities, did they open up and disclose the needed information more comfortably. One explanation for this scepticism and wariness could perhaps be the general

development of more vigilant and alert characters within the society in the recent years due to the instability and insecurity of the political situation in the country. In the wake of drone attacks, the restless North-West border with Afghanistan, the entrenchment of the Taliban and like-minded organisations, which find support from deeply rooted factions within Punjab, and a great deal of unspecified and non-transparent activity of terrorist organisations and security agencies are some issues that could explain this wariness on the part of the general population against all activities which directly investigate HHs and might arouse unwanted attention (see Mullaney and Hassan 2015 in *National Geographic* and Boone 2012 in *The Guardian* on how this scepticism is fed and grows within the population for all activities, especially health and research programmes).

It was perhaps this cautiousness or scepticism on behalf of the people in general that led many households who were not clients of KASHF or borrowers with any other MFIs (control group households) to initially refuse to give an interview. I had to work long and put hard effort into convincing such households within the same borrowing neighbourhoods in Punjab to voluntarily give an interview. Some needed two or more visits before they were convinced that there was no harm for them or their HHs to agree to talk to me. The indifference in the attitudes of neighbours and peers was in a way part of the same self-protection mechanism on an individual and household level, where minding one's own business was seen as a way of avoiding unwanted and unforeseen trouble from various groups and from the authorities.

Comparing the atmosphere of the neighbourhoods, it is quite probable that the survey respondents from households in the Pakistani neighbourhoods are less inclined to take into serious consideration the standpoints or opinions of their neighbours or community members on MFIs. This shifts the balance of the decision process about MFI membership by giving less weight to the relevance of component 2 (the perceived viewpoints of other actors within their social circles on MFIs) and 3 (their respective attitudes towards the MFIs) and more weight to components 1 (personal viewpoints) and 4 (domestic reactions) in Figure 3. In the Indian neighbourhoods households and neighbourhoods are intertwined to the point that neighbours become as intervening as household members themselves. This is not the case in Pakistan. Thus, comparing the two field sites, the sample HHs in Pakistan were more dependent on their families and less so on their larger social circles like neighbours, clan or next of kin. On the other hand, in India the larger social circles within the neighbourhoods and social ties along caste and kin lines were vital to the decision-making processes of the HHs within the communities. I will elaborate on this point more in the later sections of this chapter.

6.2.3 Client profiles

The profiles of all the survey households regarding their banking relationships and credit-specific information in Pakistan show that significantly more Kashf households had a bank account than their counterparts from the control group. This is not the case in India, where borrower households had a much lower rate of being formally banked than the control group households. This difference can be attributed to Kashf's financial literacy programme, which propagates and supports individual banking accounts for all households with clients. NEED does not require all the clients to have an individual bank account, as loans were a joint liability and individualised bank accounts were not an obligation. In a larger context, however, the delinquency crisis of the microfinance sector in 2008-09 in Pakistan was an agent of this change, bringing Kashf to push for all client households to open a formal bank account so as to enhance the enforcement of legal action against potential defaulters of loans. Generally at household level, access to formal banking and credit institutions in Punjab (Pakistan) seems to be more commonplace than in India. This can be seen, for example, in the fact that more loan applications were refused from formal institutions in Pakistan in India¹. Many survey respondents in India seemed to have a sense of being overawed or feeling out of place when it came to dealing with a formal bank or institution. The general sentiment was articulated in the words of a NEED employee in India:

“The poor feel intimidated when they have to go to a bank for the repayment of a(n) [loan] instalment. They feel subjected to the inquisitive and judgemental looks of the bank employees who might see them unfit to be served with dignity and respect. They [poor] perceive that their appearance and their petty amounts will determine their worth and it is this fear that NEED wants to take away via its SHG programme where groups of women are encouraged to enter formal banks with their collective savings and have service delivered to them” (interview with NEED development manager, Sitapur, Uttar Pradesh/ India).

The same employee, however, also mentioned that NEED was now shifting its focus to joint liability lending rather than focussing on further strengthening SHG lending in general (see

¹ The difference was especially significant for control group households in Pakistan, most of whom preferred loans from formal banks rather than MFIs. It is also probable that due to a lower level of poverty of the surveyed households in Pakistan, the HHs could offer some form of collateral for a formal bank for a loan. In any case, the survey households in Pakistan did not seem to have any reservations about approaching a bank to deposit savings or to apply for a formal loan.

Appendix 6 for differences in the two forms). Thus, not all NEED clients would necessarily graduate to having access to formal banking like their peers in Pakistan. Nonetheless, the share of women respondents having a personal bank account was twice as high in India as for women respondents in Pakistan. This indicates that even if more households were aided in getting access to formal bank accounts in Pakistan, it did not translate into women having access to these bank accounts. Rather, their male guardians would also suffice for an MFI loan disbursement. Moreover, it shows that SHG lending in general effectively facilitates women's direct access to financial institutions, as membership to a SHG is not transferrable.

Comparing timely repayment rates, Pakistani MFI clients seemed to be lagging behind their Indian peers. This seemed to be associated with a higher level of loan misuse by Kashf clients than by NEED clients. This is a very interesting point, as the screening procedures were much more stringent for Kashf clients in Pakistan due to individual liability. Loan officers were in fact very thorough in making sure that the household had enough income and a capacity to pay monthly loan instalments of the loan under consideration. From the data available on the sources of income of the households and from conversations with the respondents from these households, it is obvious that even stringent screening processes were sometimes not effective in identifying such cases. Upon being asked reasons for loan misuse and an open instalment a Pakistani borrower stated:

"I borrowed the amount for my husband's nephews upcoming wedding but told Kashf that the loan was for [expanding] my sewing business which I run from home.....though we are a joined family with 5 people earning money in the household, the cost of living [for a total of 13 people in the household] is also high, and due to the wedding I have not had time to look after my sewing workload which is still pending and so are the payments" (interview with female borrower, Gujranwala, Punjab, Pakistan).

Many of the households in Pakistan had multiple sources of income with more than one person earning.² Given a larger family, the enterprise for which the loan was being initiated was usually not the main source of income in the Pakistani HHs, although it was for their peers in India. For both countries, the major sources of client recruits to the MFIs were through the same channels. The local presence and solicitation on behalf of the loan officers

² The multiple sources of income increased the chances of having the loan application accepted as the average household income was seen as a qualifier for capability to repay, however loans were mostly then misused for consumption purposes like on weddings, other household expenses etc.

was the main source of MFI client's motivation for joining or being recruited, followed by friends and neighbours as motivating agents for many women and their households to join a MFI. Thus, in this respect the role of loan officers and peers within the community seem to be equally important for both NEED and Kashf.

6.3 The socio-political milieus

Having presented the empirics for the two regions in the neighbouring countries, I expect that certain relevant differences within the communities, like the dominant religion or the communal interactive pressures from community groups and neighbours that ensue, would affect MFI operations targeting women differently. In Pakistan I expect the dominant religion of Islam to play a much larger role in hindering conventional MFIs in reaching out to HHs in the communities due to its non-compliance with the Sharia. In contrast, I expect the social milieus, neighbours, peers and social ties along caste and kinship lines to play a more important role in India than in Pakistan. Furthermore, I expect the role of moneylenders and the feudalistic structures to have a much stronger role within the communities in India than in Pakistan. Expectations of differences on a more domestic scale include that women in Indian communities in general will be less acquiescent in conforming to gendered power positions within their HHs and communities. However, I expect a more differentiated pattern of behaviour and development for the HHs in Pakistan in general and the women within these HHs in particular. From the discussions in Chapter 5, I expect the women from the survey HHs of the communities in Pakistan to be more self-regulating in conforming to behaviour deemed acceptable within their HHs and societies. Yet I also expect women from borrower HHs to be more resilient in their aim of securing a loan from an MFI.

The following sections will now compare the four components from Figure 3 to see which component is more relevant for MFI clients in the process of the loan take up in both the countries.

6.3.1 Personal standpoint on the relevance of MFIs and other actors (Component 1)

The first component of personal opinions on other actors is important to understand how the respective opinions and reactions from such actors will impact and (partly) affect the respondent's opinion building process but also the weighting of the second component and eventually the outcome of the decision.

The opinions of respondent households, in both regions, on the importance of MFIs and other actors, like the religious authorities, community groups and moneylenders, follow a relatively similar pattern. The difference in sample means between borrower and control group in both countries had a similar result in terms of sign and significance. This was the case for all mentioned categories. However, there are differences to be considered between the borrower and non-borrower households across the countries. The respondents in both regions were asked to express their opinions on the importance of a series of institutions or groups in general. In the case of MFIs and moneylenders their explicit importance as service providers was questioned. In the case of religious communities, their presence and role for rituals or guidance in general, but also as an expression of personal identification with and adherence to such institutions, were of much relevance.

Women and men from the borrower households in both regions considered MFIs to be an important source of credit services. Men and women from the control group in both regions were quite divided in their opinions on MFIs. Almost all women respondents were of the opinion that MFIs were important and most of the men felt that as service providers MFIs were not important at all³. Seeing this similar male-female difference of opinion pattern in both regions, and considering the obligation to secure male nomination in both the countries, MFI membership of women is most likely to be affected. Given the male opposition within the HH to MFI loans, as well as male domination in all important HH decisions, this difference in opinion can be detrimental to MFI loan take-up by the women in India and Pakistan likewise.

The majority of the respondents in both regions felt that religious institutions are important for personal or collective social reasons. Yet, more respondents in India tended to find them unimportant or irrelevant to their decision than their counterparts in Pakistan. Pakistan has seen a surge in the growth, role and importance of religious institutions and groups in the past decades. They have gained considerable power, both in smaller private circles and within the larger political arena.⁴ Upon being asked why religious institutions were

³ The control group households in India were in principal not borrowing with any MFI, that is, they had no accounts open with any institution. The control group in Pakistan included households that were not clients of Kashf, but who were borrowing from other MFIs or were members of credit associations such as ROSCAs.

⁴ For a history of gradual and instrumental insertion of religion (Islam) into the republic and the growth of politico-religious groups see Shaheed 2010; for a general overview of the history and development of religious orthodoxy and interplay within the political arena, see Pakistan Country Report 2012.

so important for him in particular and the community in general, a Pakistani respondent replied:

“.... because for all matters that confront us all in our everyday lives and we are at a loss as to how to proceed...we should all be committed to seek the guidance of these religious institutions that are there to give us counsel on what is the right path to follow according to the guiding principles of the Quran and Sunnah⁵” (interview with male borrower, Sheikhpura, Punjab, Pakistan).

Since men are more present in the public spaces where interactions with religious groups take place, like Friday prayers or public sermons, they are also more easily influenced by them. The dispositions of such religious institutions on social and personal issues can become crucial when the respondents find these institutions important and seek their imperative guidance.

Opinions on the importance of services provided by the moneylenders were similar among the respondents from both countries: they are important but at best should be avoided⁶. According to one Indian respondent expressing his opinion of moneylenders:

“Nobody would go to a moneylender for a credit if they had a better choice, however, people also know that they run a business and when no one else lends to you, then they [the moneylenders] do. When your need is pressing, then the [conditions of the] loan is not what you would think of....moneylenders are aware of this and make sure they have the upper hand in the matter....at best may God place no one in such a dilemma” (interview with male borrower, Sitapur, Uttar Pradesh) .

It was obvious that in times of financial crunch for individual families, moneylenders are the only source of fast cash. However, loans from moneylenders came with draconian conditions, such as a 300-500% interest rate per annum, or working off the loans in the form of hard labour on the moneylender's fields (at a wage that was half or less the prevailing rate for day labour). For many of the survey respondents who were mostly daily wage earners, this meant earning less and paying more over a longer period of time. Thus, borrowing from moneylenders can not only leave a long-lasting financial strain on the borrowers, but also

⁵ “Sunnah” is the way of life of the holy prophet of Islam, Mohammad, peace be upon him, based on all the teachings, practices and Islamic traditions of his time.

⁶ Only 11% of all respondents in India and 15% of all respondents in Pakistan were of the opinion that moneylenders were not important (see Tables 4.3 and 5.3 respectively).

force them into other unpleasant life situations. All of this is why these individuals were seen as best avoided. According to one Kashf employee's account, related in the previous chapter:

"A desperate person in need of money and on top of that illiterate is an easy prey for moneylenders to exploit at will. Such victims are then made to put their thumb prints⁷ on blank stamp papers which the moneylenders can then use to blackmail the borrowers on any terms they wish. I have seen many cases of victimisationin one particular case a poor borrower having no other outlet after years of servicing just the interest on the loan, had to marry off her young daughter to the moneylender as a second wife, because she could not pay off the entire amount of the long outstanding usurious loan" (interview with Kashf loan officer, Sheikhpura, Punjab, Pakistan).

It is obvious from such statements that moneylenders are always approached with caution and as the lender of last resort. Nonetheless, they provide a service for the credit needs of people that MFIs will not necessarily cater to (e.g., consumption purposes). This would suggest that since MFIs usually give out loans for economic activities, MFIs served a particular target group or market, whereas moneylenders are normally indifferent to what the money was being lent for, widening the scope of their market. Thus, the MFIs were competition for the moneylenders in taking away clients, but not vice versa; this would then explain the moneylenders' contemptuous attitude towards the MFIs, as will be discussed in the sections to follow. Furthermore, the MFIs also served as a channel of funds for the moneylenders' clientele, making it possible for their clients to pay back loans and get out of a crushing financial contract, designed to benefit the moneylender and leaving the borrowers vulnerable to exploitative situations.

In both regions the MFIs, religious groups and moneylenders were regarded with generally the same sentiments, with slight differences. Whereas MFIs were highly rated in importance for services in Pakistan, in India this was to a lesser degree. Likewise the religious faction's importance in Pakistan was viewed much more strongly than in India. Moneylenders seemed to strike a similar chord of opinion in both the regions: they are important, should be avoided. However, in Pakistan the moneylenders were not necessarily of a higher social standing in terms of caste or family. In addition, within the society, they were less respected due to what was considered their dishonourable business of earning interest on loans.

⁷ A thumb print is equivalent to a signature, representing consent to the terms and conditions of a contract that can be used as a legal document in a court.

6.3.2 Perceived opinions of respondents of other actors on MFIs and membership (Component 2); and Attitudes and actions of external actors towards (potential) MFIs and clients (Component 3)

There are statistically significant differences among the borrowing and non-borrowing households in both regions concerning their views about the opinions and attitudes of other actors regarding MFIs and membership. However, the reception of these opinions and actions from the various communal actors and the way they were dealt with were very different indeed in both regions.

Exchange of views with the respondents revealed that the opinions and the ensuing attitude of family members, religious and communal groups and members of the larger kin regarding a loan take up from an MFI was very relevant for the households in general (and the women in particular) in both regions. Which actors were considered more important varied for the respondents of both countries. In general within the Pakistani neighbourhoods, everyone seemed concerned primarily with his or her own business, and less intrusive concerning the affairs of peers or community members. This can be confirmed by the fact that the general sentiment or opinion about MFIs (as perceived by all respondent households), tended to settle around that of indifference⁸ in contrast to India, where general opinions of different stakeholders were very diverse in their stance on MFIs. However, having said that, in Pakistan the respondents from the borrower households seemed less influenced by the opinions and attitudes of their neighbours, community members, the religious groups, moneylenders or even extended family members to a certain extent. This is depicted by the fact that despite a higher incidence of threatening and provocative attitudes from actors within their social networks, like their extended families, neighbours, peers, religious factions, moneylenders and even MFI loan officers, their borrowing relationship with the MFI had sustained (for a comparison see Tables 5.5 and 4.5 for Pakistan and India respectively).

Yet for the respondents in Pakistan, particularly those living in joint families, the opinions and attitudes of the family members, in particular the elders within the family (usually the eldest male members) played a decisive role and could not be ignored. The women of the households in most joint families would not only be at the mercy of her

⁸ However such indifferent behaviours can suddenly turn into active animosity or polarised behaviours when there are personal interests or gains at hand, as was depicted by the delinquency crisis in 2008-09, where a mass of borrowers and all kinds of groups and individuals demonstrated active participation in exacerbating the whole situation for their personal interests.

husband's (male guardian's) approval, but would also have to take into consideration what her in-laws, who might be living with her, think of such issues as loans from MFIs. This can be an uphill battle, as usually the reasons to oppose such decisions have nothing to do with the loans or the MFIs. Rather, opposition to a loan became a proxy for issues of domination over the women, or dissension over commonplace household or familial rivalries. In addition, a higher proportion of the borrowing households were seen to have the approval of their immediate families for an MFI membership. Whereas households in the Indian neighbourhoods were more concerned with the opinions and attitudes of their neighbours, caste members, peers and extended families, this was not the case in Pakistan. Their receptive behaviour to their peers, neighbours and community was more pronounced due to the congested spaces and close proximity of the HHs in the urban slums in India. In contrast, interventions from the immediate family were much less of a problem for the Indian HHs than for their counterparts in Pakistan. Most of the actors within the social milieus of the survey HHs in India had a positive opinion of MFIs and at worst were indifferent, which resulted in fewer confrontations or threats to the households who decided to join MFIs.

Thus, returning to the composition of families and neighbourhoods as discussed earlier in section 6.1.2, this means that in India where social interactions among peers and neighbours play a much more central role in the daily lives of the households, their opinions and attitudes become indispensable for the households concerned. Communal relationships also need care and maintenance. The peers and neighbours are not only an important system of support for a poor household, but can also become very cumbersome when not handled with care. To avoid the wrath of a pestering neighbour, many go a long way to be diplomatic in their daily interactions, whether out of courtesy or a desire to maintain their good reputation. To demonstrate this, I will discuss one such case below, from one of the first neighbourhoods that I visited in a slum in Lucknow.

Among the first five households I picked in this site, I encountered one very suave female borrower, Mrs. M., who was a group leader for her joint liability group (JLG) loan with NEED. JLGs always have an informal group leader who may take up the responsibility of collecting the monthly instalments from all members of the group to return to the MFI on their behalves. Such group leaders are normally selected by the group members themselves or are initiators for a group in the first place. Being one of the first women to have taken up a loan in the neighbourhood, Mrs. M. was seen by many of her peers as a kind of "agent" for prospective borrowers, or as someone who helped others get easy access to loans from NEED.

Although loan screenings were only strictly conducted by loan officers personally and supervised by NEED managers before being processed further, many expected Mrs. M. to initiate a group for them and to put up a good word for them with the loan officers. Mrs. M. shared a tiny one-room shack with her husband and two adult sons on the top floor of a broken down building. This small space overflowed with pestering women day in and day out. Women even from neighbouring slums would harass her to help them with their group formation or loans, over which she had no power. Yet she would not tell them off and put up with the fussy situation. When first attempting to interview her, I had to return the following day, as the women were outright brazen and refused to leave her house for me to have a talk with her. The next day was the same and we had to escape to the house of another neighbour two blocks down for some privacy for the interview. I asked Mrs. M. about why she did not simply banish the women from her house rather than having herself being pushed out of her house, and she explained that she just could not ask the women to leave. If she were to do so, they might think that she was rude or perhaps even envious of their potential success from the loans and therefore unwilling to help them. She explained that the women would not understand that she could not help them and she feared that some of the women could sour and damage her reputation in the neighbourhood if she was not diplomatic. This was a risk that she did not want to take.

Mrs. M's story helps to demonstrate, among other things, the larger cultural and social context of the interactions and relationships of peers within South Asian communities. In general these relationships go far beyond their short-term daily interactions, and usually have religious or historical aspects. The relationships between community and caste members in India have a strategic importance for future prospective familial ties, as marriages of children or family members are usually arranged by recommendations from family, caste members, community members or simply acquaintances. Such prospective ties usually are brought about through references from these familial and community or caste members. Unlike Muslims, Hindus (and Sikhs) do not marry within the family, village or the caste, commonly with the same surname. Thus, finding a match for a son or daughter becomes a task in which many friends, peers and acquaintances are involved. For these reasons, the maintenance of good relationships within communities and with one's caste members takes a front seat, and this cultural practice or tradition is then cultivated further. In contrast, marrying within family, including marriages to first cousins, are very common and sometimes preferred among South Asian Muslims, as family ties are considered to be strengthened by this practice. The

information from the survey data also shows that kinship marriages were more prevalent among Muslims, and in Pakistan in general. Of the 17 kin marriages reported in Pakistan, 15 were Muslim households, while of the 4 kin marriages reported in the Indian survey data, all were Muslim households.

Thus, considering this larger contextual aspect, it may well be possible that such differences in social practices or norms can explain why in one social setting interactions and relationships with a particular set of peers from the community or family may be more important than others. For example, the maintenance and care of the social ties within the larger communal circles in Hindu or Sikh communities plays a far more vital role than with familial structures, compared to Muslim communities. This can explain why peers were seen as more important in India where the majority are Hindus, while familial ties are far more important in Pakistan where the majority are Muslims. The case at hand is only one example, and it is important to note that these differences in the practices or norms within communities are not *only* associated with religion, but can also be of a cultural or a regional nature. For example, one finds differences between matriarchal and patriarchal societies, such as the divergence between South and North India for example. These cultural forms will have their own set of dynamic phenomena that can affect norms and practices differently and result in a totally different pattern of social interactions among peers and community at large.

In Pakistan, immediate families were a more permanent force, with much inclination toward a collective course of action even when the individual is concerned. For example, women have to woo not only their male guardians, but also family members (who are usually in-laws) to win support for a decision for loan take-up. If the women are lucky and have the backing of either their husband or the family, convincing the others will be easier. For example if the husband supports her for an MFI loan, then the task of convincing the immediate or larger family will be taken up by the husband. When the husband needs convincing, backing from the family can support her decision and help her in winning over of the husband. The sentiment can best be represented by the testimony of a long-time borrower from Pakistan, who reported how despite initial disapproval for her loan by her husband, she had won the battle over his support because his family supported her decision, although in this case the family was not a joint one.

“My husband was initially strongly against my desire of a loan [which she needed to open up a beauty salon]. I was afraid to argue with him, so I took to convincing him through his parents who were supportive of the idea that I

should supplement the family income. It took a whole year to gradually have him agree to a loan from Kashf, even then very reluctantly. I have now been a borrower for 4.5 years and my husband is a changed man. He would never have supported the loan if his family had not backed the idea,” (interview with female borrower, Gujranwala, Punjab, Pakistan).

Another respondent from Lahore related an opposing scenario when she was asked why she did not take up a loan to expand the shoemaking business that she ran together with her husband. She lived in a joint family system comprising herself, her husband and their three children, along with her father-in-law and two married elder brothers of her husband and their families. According to the respondent:

“My husband backs me in my decision of opting for a loan from an MFI, but cannot decide against the will of his family, especially his father and also his elder brother, both of whom do not support it. They are against borrowing but we have to share certain costs of living within this household for such a large family [16 in all] and therefore will never be able to save enough for expanding the business. My husband will never go against his family’s wishes and I hope there was some way that my father-in-law would agree to a credit, as we can earn much more from taking more [shoe] orders from the factory” (interview with female non-borrower, Lahore, Punjab, Pakistan).

The local shoe factory from which the respondent and her husband got their shoe orders offered seasonal bids every 6 months for the orders. The bidder who was given the deal, had to pay a lump sum to get the deal, part of which was retained by the shoe factory and a small part of it returned along with the payment for the shoe orders. The loan was supposed to be used for this advance payment for the shoe orders. While family consent played an important role in all such household decisions, larger communal circles like neighbours and caste members were not the immediate cause of concern and were dealt with rather pragmatically, at least by the borrower HHs in Pakistan. Although harmonious relations within the communal circles and *biradari* were also regarded as important and their decisions could not be completely ignored, HHs still had ways to maintain ties and skilfully avoid interference in all matters from their larger societal circles. This was mostly done by prioritising and strategically placing issues of concern out for the larger circles to endorse or advise on and equally keeping a low profile on matters that they did not deem necessary for endorsement from these actors in their larger circles. The control group households, on the other hand,

were more observant of, and receptive to, what the larger community or their peers had to say, especially regarding the religious faction.

Interrelated perhaps to the character of the neighbourhoods and the general attitude within the communities is also why the joint liability lending did not work in Pakistan for Kashf, whereas in India it has for NEED. The delinquency crisis in Punjab, Pakistan, for Kashf resulted in a total failure of group lending that became dysfunctional when the members became indifferent to their responsibilities as a group. Supported and influenced by all kinds of external pressure groups, among others moneylenders, local politicians and their supporters, some of the defaulting borrowers then tempted and pressurised the reluctant group members to default en masse, hoping to get away with it if everybody joined in (as discussed in Chapter 5). Although there were many who did not default despite the pressure, it does show that interactions are less cohesive among peers, and temptations of a personal gain of the individual can be a major incentive to ignore the well-being of the group. Kashf has had to adopt a new lending method and opt for individual loans. On the other hand, joint liability lending works well for NEED in the northern states of India, as peers within the neighbourhoods are less individualistic in this regard and stick together for the benefit of all.

The fact that households in Pakistan are less compliant towards group sovereignty was also demonstrated as groups appeared to be unanimous in defaulting en masse during the crisis. There were defiant attitudes from some members within the defaulting groups and communities. This was expressed, for example, by a respondent from Sheikhpura (the district where the whole crisis began). She was part of a joint liability group, three out of five members of whom defaulted:

"We were under enormous pressure from the [defaulting] group members to not return our monthly instalments. They had the support of local politicians and all other borrowers too who were defaulting, but my family and another member in the group just did not see why this would benefit any of us in the long term and it was simply unethical. When my family decided not to comply with the wishes of the defaulting members, we were threatened and intimidated.....we maintained our stand and went on paying back our monthly instalments....today we have progressed to a bigger loan because we did not give in to the group and community pressure," (interview with female borrower, Sheikhpura, Punjab, Pakistan).

Thus even when there were short term gains to be had by defaulting, without the stigma of being labelled as a defaulter because everyone else was doing the same, there were

households within mass defaulting communities (where not only borrowers of Kashf, but also those of other MFIs were defaulting) who were concerned more about the households' long term benefits and about moral principles.

Another difference was observed concerning the moneylenders and their interactions with the households in both regions. While the sentiment on the moneylenders' stance toward MFIs and their attitudes towards the respondent households were similar in both countries, in India there was a significant difference in attitudes towards the moneylenders between the borrower and non-borrower households. Responses significantly differed between the two sample groups and the threat of not having access to this source of credit was a real fear that could not be simply ignored. In Pakistan, though, this threat seemed to be perceived as less important by the respondents, and there was no significant difference between borrower and non-borrower households in fearing threats from the moneylenders, as was the case in India. As mentioned earlier in the chapter, households in Pakistan had a rather cautious and low-profile attitude in their public interactions, and assumed a rather more sovereign approach over their own affairs. Moreover, the threats of moneylenders in Punjab, Pakistan were not always about blacklisting MFI borrowers. Some respondents who had multiple loans from MFIs and moneylenders informed me that they just did not acknowledge their loans with the MFI when confronted by the moneylender.

Furthermore moneylenders in Pakistan had a rather ambivalent relationship towards the MFIs. Some of the moneylenders I met in Punjab were also interested in loans from MFIs. One particular moneylender in Sheikhpura, agreed to give me an interview thinking I was a senior MFI manager in the area looking for potential clients in need of bigger loans. I was introduced to this moneylender by one very resourceful loan officer of Kashf, who mentioned that the moneylender had contacted him some time earlier for a loan from Kashf. The moneylender said he needed liquid cash for the expansion of his rice business, as most of his own money was given out to borrowers as loans. Still other smaller moneylenders I interviewed, who acted as of middlemen and middlewomen for the larger moneylenders, informed me that some moneylenders used loans from MFIs to lend out again, charging a much higher interest. Since only those with a profitable small enterprise qualify for a loan from an MFI, this is seen as an opportunity by moneylenders to use their poorer middlemen and middlewomen to pledge for loans in their names. These loans could then be lent at higher interest rates further to borrowers. In any case, moneylenders were interested in MFI loans for furthering their own moneylending businesses. The middlemen and middlewomen received a

small commission, and some of them have now prospered as moneylenders themselves on a smaller scale. Thus it was not clear if MFIs were really serving as a source of lending capital for moneylenders of the area as well, making the moneylenders' attitudes towards MFIs rather irresolute.

Both the regions also differed on the scale, range and type of external influences on MFI operations. Whereas in India moneylenders were the major group specified as troublemakers for the NEED employees and clients, the list of actors causing trouble for Kashf operations was long. Moreover, the strength and intensity of these external agents and groups influencing Kashf operations was much stronger. However most of these intrusions or troubles were specifically during the times of the delinquency crises, especially those from government agencies and employees, including police, lawyers, councillors and local politicians. Contrastingly, the religious factions were an everyday irritant to the MFI employees in Pakistan, harassing them for their practice of interest-based loans and its contravention of Islamic teachings. This seemed to be less of an issue for NEED employees in India, where threats from the religious factions reported by control group households were also from Muslim groups.

In sum, while the second and third components in the decision process to take out an MFI loan played an important role, the actors and the weighting of their roles are very different between the two regions. Whereas in Pakistan household structure and immediate family play a major role in weighing the decision of loan take up, in India the larger neighbourhoods, peers and caste relations have a stronger role to play. Furthermore, the dominant religion seems to matter. In Pakistan the religious factions were a cause of much nuisance and trouble in the neighbourhoods, while in India this was relatively weaker due to the multi-faith set up within the communities.

6.3.3 Domestic & household reactions to women's MFI membership (Component 4)

Of all the components specified for a loan take up decision to materialise, the fourth component, domestic interpersonal power relations, is the most important in both regions. The fact that no loan is possible without a male guardian's consent is explicitly pinned down by both NEED and Kashf. Beyond this fact, responses on household dynamics show that the attitudes of both men and women vary quite a bit on issues of conflict and violence in their relationships. The power positions and attitudes toward decision-making within the household take quite a different pattern in the two regions across the border.

Based on many of the interviews with the respondents, exchanges revealed that the form of patriarchy differed in both the regions. The differences in means of the two sample groups in India regarding power positions in the household were significant on all counts. Whether it was the fear of a male guardian, decision making within the household, freedoms enjoyed by the women or attitudes of men towards women in general and independence of women in particular, the women of borrower HHs varied from their counterparts in control group HHs on all these counts (as depicted in Table 4.8 in Chapter 4). This was not the case in Pakistan, where almost none of these differences were significant between the borrower and control group households, with the exception of the male guardian's consent for the female protégé to improve her education (see Table 5.8 in Chapter 5 for details). Despite this fact, women in India were less willing to be complaisant regarding the situation. For example, figures show that more of the women from control group households in India, who wished to opt for a loan, were openly advocating or negotiating their desire and right to do so with their male guardian. Of the thirteen women who wished to opt for an MFI loan, seven reported domestic conflicts, and five others reported deterioration in relationship with the male guardian due to their persistence in wanting to opt for a loan (see Tables 4.7 and 4.9 in Chapter 4 for details). The men from these households also acknowledged the existence of this tension that resulted mostly due to the fears that arose because the women were challenging the “natural order of things” that their male status granted them. According to one male respondent from Bihar, who was questioned on his reaction to his wife's desire for an MFI loan:

“.....I do not support her idea of a loan from an MFI as my personal opinion is that women's first priority should be her household.....the children and household both are neglected with all these meetings and obligations that come with the loan.....my wife however does not [agree] and keeps pestering me for wanting to join [a group of lenders] and we have had many fights over it..... I wish I could have more peace on this matter,” (interview with male non-borrower, Muzaffarpur, Bihar).

Perhaps women in the Indian communities were more hands on than their peers in the Pakistani communities when it came to financial contribution and independence for their households or themselves, given the poverty levels. But it could also be that women were simply refusing to take the back seat in conservative (and mostly rural or semi-rural) landscapes where poor women have moved not only toward economic strengthening, but also

toward addressing inequality of basic rights in the past years. Of considerable relevance here is the role of the self-help groups in India over the past decades, which in addition to financial access, has also explicitly targeted poor women to raise awareness and has advocated for their rights as individuals.⁹ As pointed out in a study on the inter-linkages between citizenship, gender and development in India, *“The SHG groups provide a ‘space’ for raising of gender issues and concerns regarding gendered citizenship rights when the ideas of the women’s political movement is feminist and engages critically with the nation state on issues of power and authority,”* (Chari-Wagh 2009: 11)

It could be that in India, the SHG women within communities are perceived as a source of hope for many other women who have not so far joined their ranks. As mentioned in the earlier quote from the male-borrower in Muzaffarpur, taking part in the weekly meetings where matters, however small, are decided upon solely by women, brings a realisation of self-determination that they can gradually also apply within their households. It is quite possible that women from the control group households see this as a means to have more leeway in their daily lives and so pursued the issue with more fervor.

However, I got an entirely different impression while talking to the women in Pakistan, particularly those from the control group households, who seemed to be more complaisant in their attitudes within their marital relationships than the women in India. One such woman who wanted to start a small tailoring school at her home and wanted a start-up loan for the project, confided in her interview of her defeated attitude towards the issue:

“I once expressed my desire for a loan to start up a small vocational tailoring school at home to my husband. He got very angry at the idea and said never ever to mention such a thing again. That was two years ago, to this day I have not dared to raise the question again, as I know that things can escalate... things are harmonious in this house as long as I make sure that nothing contrary to what my husband likes happens... I have to compromise as I have children who are now almost grown-ups and I will not want to disturb them with such issues” (interview with female non-borrower, Gujranwala, Punjab, Pakistan)

⁹ SHGs in India date back several decades. However, most significant developments came in the 1970s with the SHGs set up by the Self Employed Women’s Association (SEWA) and then in the 1990s with the bank loan linkage programmes for SHGs in India by NABARD.

Similarly, many women from the control group households, who wanted to opt for a loan, acknowledged the fact that they did not dare to raise the issue within their households because they felt that it would only backfire on them. In many cases, it was understood intuitively to be a natural course of action of what was permissible and what was not. Women had a pretty good idea of what would be met with outright hostility and what would not. There seemed to be little appetite to try something that would endanger this delicate balance between harmony and hostility. Many opted, therefore, not to raise matters which were not welcome and tried to be content with matters that they *did have a say in*. In cases where there was discussion of an MFI loan between two contesting opinions within the household, it would never escalate to the level of being detrimental the relationship with their male guardian, as the women were always wary to stop before it got out of hand. For example, of the 8 women from the control group households who had considered taking a loan from an MFI, only 2 acknowledged household disharmony due to this desire for a MFI membership (see Tables 5.7 and 5.9 in Chapter 5 for details). No one amongst these women reported that the relationship with the male guardian had deteriorated due to their persistence in arguing for a loan from an MFI.

On a similar note, it is plausible that this attitude of self-regulation or cautiousness on the part of the women in Pakistani communities reflects a (comparatively speaking) less aggravating stance of the men towards women's independence and freedom. Perhaps men then felt less inclined to push the women within their HHs for a more compliant behaviour because they had already internalised the conformity that is expected of them. For example, comparing responses of men in both the regions, particularly those from the control group HHs, power positions and personal attitudes of men were more favourable toward women in Pakistan than in India (see Tables 4.8 and 5.8). Fewer men reported having a restrictive attitude towards women, which was also reflected in the responses of the women. Derogatory behaviour or physical violence towards women was not considered normal and women's mobility was less restricted in Pakistan than in India. However, the responses from many of the women in Pakistan, especially those from the borrower households, confirmed the fact that such a development – women being less controlled by their men – came about after initial years of violence that had subsided over time. Many of the women confessed that they had to endure both physical and verbal violence, which gradually evolved into a relationship of more trust and confidence of the husbands towards their wives. The sentiment of this self-regulation and men's relatively relaxed attitude can be well captured in the words of a female borrower from the district of Kasur in Pakistan who went on to describe her early marital relationship as

plagued with extreme violence that had eventually given in to a more bearable relationship due to her “husband-compliant decision making” on all important matters of the household a decade later:

“My husband and my in-laws were stricter in the earlier years of my marriage...violence was commonplace and I was very much intimidated by my husband.... but after a couple of years they realised that I have learned their ways and will not go against their wishes..... I realised I had more to gain from their support and therefore tried my best to abide by the rules.... today there is little or no violence in my relationship.... I am free to decide on all matters of household and only need to inform my husband and he supports it...because he knows I will never do something that he will not approve of” (interview with female non-borrower, Kasur, Punjab, Pakistan).

Thus even though the fourth and final component is the most crucial of all components in the decision process to an MFI loan, the ways of dealing with the male guardian’s authority and the interplay of power positions within the households vary considerably across the regions. In India authority within the households was more contested and women were less likely to be obliging or compliant in giving in to male authority than their counterparts in Pakistan. On the other hand, women in Pakistan were more likely to win over their husband’s support due to their self-regulated behaviours, which reassured their male counterparts within the households and caused them to be less controlling of women’s attitudes.

6.4 Conclusion

The comparative analysis across the regions in neighbouring India and Pakistan reveals that there are important differences not only in respondent households, but also in the milieus and their dealings and interactions within these. The relevance and importance of the four respective components in the model depicted in Figure 3 will vary accordingly to the placement of the respective actors within each oval.

Regarding the first component, namely the personal standpoints of respondents on MFIs and other actors within society, Pakistan and India have relatively much in common concerning the opinion barometer on MFIs, religious groups or moneylenders. Relatively speaking, Pakistani households seem to place a higher importance on MFIs for services and show a higher inclination of attachment to religious institutions or groups. This has resulted in giving the respective religious institutions in Pakistan higher leverage in influencing opinions

or even enforcing decisions against a loan from an MFI, given their openly negative stance on interest-based loans.

The second component, viewpoints of other actors within society on MFIs, and the third component, the societal actor's attitudes towards a membership with MFI, does seem to be of importance in both India and Pakistan. The difference is in the scale, range and type of actors within these components that vary for both regions. Here the composition, size and structure of the household and the nature and character of the neighbourhoods play a central role. In Pakistan, household sizes are bigger and the joint family system is more prevalent, so that the immediate family plays a major role in weighing the decision of loan take-up. In India the larger neighbourhoods, peers, caste relations and even moneylenders have a stronger role in influencing loan take-up decisions from MFIs.

The most dominant of all the four components in the whole decision making process in both regions was the fourth component, namely of household relations and power positions of the male and female respondents regarding MFI loans. The women and men in both regions have their own distinct notions of power and authority, and distinctive ways of dealing with situations of conflict and disharmony within the household. In India authority within the households was more contested and women were less likely to give in to male authority than their counterparts in Pakistan. This may also be due to the fact that there has been more community intervention on behalf of social organisations and the government's policy of supporting self-help groups (which have brought about a change in the role that women should play). Women in Pakistan, due to their self-regulated behaviours, were more likely to reassure their male counterparts within the households and convince them to be less controlling of women's attitudes and gradually support decisions of loan take ups from MFIs. Nonetheless, both in India and Pakistan, gendered roles and their perceptions remain deeply engraved. This is one reason why MFIs like NEED and Kashf have to rely on conditions of male nomination in the first place: to ensure that loans are not defaulted against in case that the male household heads do not back them.

7 Conclusions

In this last section, I present a brief summary of my findings and the contribution of this thesis to the literature.

I began this project with the quest of wanting to find out if, how and to what extent MFIs were hindered or supported in their operations by the familial and socio-political milieus of clientele from the lower economic classes that they target. From this overarching question, I derived several research questions. The first three of these questions are as follows:

1. *Is the fear of persecution/stigma or sanctions from various actors within a community dissuading potential clients from MFI membership?*
2. *Do interventions from various local actors within the working areas of MFI affect the MFIs' operations?*
3. *Is the opposition to MFIs at domestic level from male guardian and family a deterrent for women who want to opt for MFI membership?*

There is empirical literature that presents how the demand for microfinance and the sector's success is increasingly shaped by factors like social institutions, cultures, norms and the social life of microcredit. Morvant-Roux et al. 2013, Fernando 2006 and Taylor 2011 depicts how various social actors within MFIs' milieus engage with microcredit. Others show that, taking into consideration a world of diverse cultural backgrounds and ideological values, there is no single universal meaning of economics and finance (Hann and Hart 2011 and Shipton 2007). According to the emerging empirical evidence, MFI programmes can be replicated, but to achieve success they must take into account the regional and cultural contexts, norms and the social lives of their targeted clientele.

Household survey data and interviews from MFI staff and moneylenders from the two north Indian states of Uttar Pradesh and Bihar in India, and from four different districts of the north-eastern province of Punjab in Pakistan were conducted to find answers for the above questions. These questions are analysed using a mix of qualitative and quantitative methods to investigate the households' decisions for the uptake of an MFI loan. I have developed a

systematic methodology which helps organise information and understand the decision of a household to take up a loan or not. I outline and define several components that are essential to the decision of loan take up from an MFI.

A comparison across the regions would be relevant to see if the outcomes of MFI memberships are the same or not for the two regions, given their relatively similar settings and external inputs with the exception to the communal interactions, the cultural norms and the ideological base of the society within the MFIs operation areas. This leads us to the next three questions:

4. *How do women clients of the MFI in India differ from the women clients of the MFI in Pakistan?*
5. *Do MFI institutions and their clients face the same set of problems or difficulties from within the social and communal milieus in different set ups or countries?*
6. *Do MFI clients' communal, social and domestic circles have the same (or different) effect in both countries on their decision making process of opting for a microfinance loan or not?*

In analysing differences and similarities in the two regions I find which components are most relevant in affecting the operations of MFIs.

The household surveys in the two regions led to the following main findings.

1. The familial, communal and political milieus of the targeted women borrowers seem to have a significant effect on the outreach and operations of the MFIs.

Findings in both countries reveal that without a male loan nominee, loan issuance is not possible. This reflects the tension generated in the HH due to the challenges to male authority entailed by women's wanting to opt for a loan for more financial independence. Opposition from male guardian and family (both immediate and extended) was found to be a deterrent that kept many women and HHs from opting for a loan from an MFI, even when women themselves clearly wanted to opt for a loan.

Thus relationships of power embedded in gender hierarchies resulted in domestic strife that hampered MFI operations. These findings contribute to the literature on gender relations, which investigates women's financial independence and household decision-making. Moreover they have implications for microfinance accompanied by programs aimed at women's emancipation, affecting their household position and allocation of their

work time. They suggest that measures that challenge the patriarchal hold on the family's productive assets, such as making credit conditional on asset transfers in favour of women within the household, could be expected to bring a more durable change in women's status within the HH.

2. Beyond the family, the age-old gendered perceptions of the men in the community about women's obligations to their families, and how MFI loan membership is the cause of distracting women from their obligations, seem to affect MFI loan take up. Furthermore religious decrees from the Muslim religious factions were also a major force in hindering potential Muslim HHs from MFI membership. The basic point of conflict between the supporters of the religious faction and the operations of contemporary MFIs is the concept of interest on loans, which is considered to be counter to the Sharia.

Findings also reveal a strong negative attitude toward lending or loans in general within the communities. Many felt that this would result in being publically shamed if the loan instalments were not returned on time, and could mean a loss of face for the family, which might harm the social standing of the family and lead to their ostracism from their communities or families.

These findings contribute to the literature on market forms, social institutions and conventions within communities. The study shows that designing microfinance programmes that target different populations of clients within communities with varying preferences can lead to different outcomes, depending on resistance within these communities. Given the relevance of such preferences for various social aspects regarding traditional gendered roles, religious ideology or taboo practices for example, these designs are potentially important steps in effective MFI programmes.

3. Moneylenders (who are usually also rich landowners) in India showed a strong negative stance and a rather aggressive attitude towards MFIs and their clients, which can negatively impact the MFIs outreach. Other actors within the communities were groups of individuals like money lenders, local politicians and their devotees, local traditional physicians and midwives or government officials, all of whom would potentially face accountability for their actions due to the presence of MFIs within the communities or from their operations. Most MFIs, including NEED, run social awareness programmes for their clients in addition to providing credit services. The services and advocacy can

help the (potential) borrowers within the communities to avoid many vulnerable situations from which more powerful actors in the community, like the groups mentioned above, can benefit.

Moneylenders, local influential elites and feudal lords were less of a problem in Pakistan. Moneylenders were relatively less aggressive, but did not have an amicable stance toward MFIs in general. Though feudal structures were just as frequent and remained entrenched, they did not pose a direct threat to MFI operation. In contrast to NEED in India, Kashf had little or no involvement in programmes that exhort the poor against such feudalistic structures, and therefore has not incurred strong opposition from the feudal elites and other local influential figures. However, during the microfinance delinquency crisis in Pakistan in 2008/9, interventions of all sorts from external actors (mostly individuals or groups representing members of the religious faction, moneylenders, rival MFIs, local influential elites and politicians, government officials, groups of professionals like lawyers and clients families) massively hampered Kashf's and the microfinance sectors' operations all over Pakistan. During this delinquency crisis, interference from all sorts of agencies (private and government), groups and individuals emerged, as various actors were trying to turn the Kashf crisis into an opportunity to gain political, professional or economic benefits.

These findings are in line with existing literature on interventions in the MFI sector that have caused immense harm to MFIs in many regions (Yerramilli 2013, Banerjee and Duflo 2011, Bajaj 2011, Gonzalez 2011 and Burki 2009). This study not only contributes to the literature on stakeholder behavior in the informal financial sector, but allows insights into a range of uncontrollable and damaging developments in the informal financial sector that has been the focus of much debate in the past decade in many countries.

The comparative analysis across the regions in neighbouring India and Pakistan reveals that there are important differences not only in respondent households, but also in their milieus and the household's dealings and interactions within these.

4. Pakistani households seem to place a higher importance on the MFIs for providing financial services. Moreover, households in Pakistan show a higher inclination toward attachment to religious institutions or groups. This has resulted in giving the respective

religious institutions in Pakistan a higher leverage in influencing opinions or even enforcing decisions against a loan from an MFI, given their openly oppositional stance toward interest-based loans.

The study thus adds to the growing literature on Sharia-compliant microfinance products for populations living in Muslim-dominant areas. Moreover, it has important implications for replicating and learning from models of successful MFIs that operate cost-effectively through religious places (like Akhuwat in Pakistan) and lessons for conventional MFIs.

5. The several components like the opinions of other actors within the society on MFIs and the social behaviour and attitudes of these actor's towards a membership with MFI, does seem to be of importance in both India and Pakistan. The variance lies, however in the scale, range and the type of actors within these components, which vary for both regions. For example the composition, size and structure of the household and the nature and character of the neighbourhoods play a central role.

In Pakistan household sizes are bigger and a joint family system is more prevalent, so that the role of the immediate family gains much weight in the decisions of the women in these HHs for loan take up. In India, the larger neighbourhoods, peers, caste relations and even moneylenders have a stronger role to play in influencing loan take-up decisions from MFIs.

These findings of the study reveal the complex nature of power hierarchies within the HHs and how HH composition and size matters in HH decision making. The study is one of a few of this kind that provides insights into the world of domestic power struggles over microfinance, drawing on testimonies of not just the women, but also the men from within the HHs. It therefore adds considerable value to the microfinance literature and has important policy implications, such as the importance of more gender-friendly loan qualification criteria for MFIs in order to truly advance women's empowerment.

In addition, there was a clear distinction in notions of power and authority between the men and the women and in their respective ways of dealing with situations of conflict and disharmony within the household.

In India, authority within the households was more contested and women were less likely to be acquiescent to male authority than their counterparts in Pakistan. In Pakistan, women were more self-regulating, with individuals carefully adhering to expected gender roles and behaviours. Most likely, this was to reassure their male counterparts within the

households, who seemed less controlling of women's attitudes and gradually came to support decisions of loan take ups from MFIs.

These differences in women's attitudes, between two regions with a relatively similar patriarchal set-up, has important implications for MFI programmes that offer complimentary services in addition to microcredit. Community intervention on behalf of MFIs as social organisations, and the government's policy of supporting self-help groups in India, has brought about a change in women's perceptions of the role that they should play.

The most important finding of this thesis is that MFIs can be hindered in reaching out to their targeted populations when they do not take into account the various pressures that their clients have to confront within their HHs, families and local communities. Their success depends quite a lot on their ability to adapt and come up with solutions to deal with these pressures, even if it means shifting away from their initial operational practices, as the empirical evidence from the two South Asian neighbours has shown. In the case of the two Grameen replication programmes that were studied here, their adjustment strategies were a reaction to their environmental frameworks. However, these adjustments make little sense in serving their missions or goals of empowering the poor working women when male nomination is obligatory for a loan. Though familial structure and household composition is an important factor in affecting the women's loan decisions in the microfinance sector, there needs to be a contextual consensus on how such gender biases are to be confronted and tackled in patriarchal set ups. How these issues of gendered relations with the HHs and interventions from the larger social circles are to be addressed needs further analysis and should be explored in further research.

APPENDIX 1

Types of financial institutions providing microfinance services

Financial Institutions	Type	Characteristic features and composition
Public development banks	Formal ^(a)	Large centralised government owned banks that enjoy financial support from foreign and international organisations and lending mostly to specific sectors (e.g. agriculture). Subsidized interest rates emphasis with a broad network of branches offering both savings and lending products. Lending is either direct or through intermediaries like NGOS or self help groups (SHGs).
Private development banks	Formal	Similar to commercial banks with two basic differences: - fill capital gaps in the productive sector considered too risky by commercial standards, for which they enjoy certain exemptions like tax breaks or reduced reserve requirements - Lower capital requirements than commercial banks
Saving banks and postal savings banks	Formal	Mixture of public and private ownership – typically not owned by the central government. They are decentralized and rooted in local communities with large network operating from post office counters enabling them to mobilise savings and provides money transfer but no credit services. Deposits are either invested in government securities or simply transferred to the treasury
Commercial banks	Formal	Not mainstream for microfinance. However, some ventures of commercial banks with smaller loans have been successful in South America like Colombia or Bolivia and in South East Asia.
Nonbank financial intermediaries	Formal	Specialized regulated institutions (private financial / mutual funds) which do not have a banking license. They channel equity fund, retain earnings and other borrowed capital to small unsecured short term loans. They are often not allowed to mobilise savings, however their activities vary from country to country. Examples are “Caja da Ahorro y Prestamo Los Andes” in Bolivia and “Accion Comunitaria del Peru” in Peru
Credit unions and financial cooperatives	Semi-formal ^(b)	A whole variety of them varying in form and range of services. These unions mobilise savings and provide credit services, they are registered and regulated (however not as banks). No external stakeholders and loan resources remain in the communities from where the savings were mobilised, making them user owned schemes. The FINCA model is a good example of such types of unions.
(Financial) Non-governmental organisations (NGOs)	Semi-formal	The most common business model for MFIs – around 75% of all MFIs comprise of NGOs. Very diverse - defined mostly by what it is not – namely neither government related nor profit oriented – however different from SHG and cooperatives as they are registered but may not mobilise savings
Self-help groups (SHGs)	Both semi-formal and informal	Self employed women who informally support the economic activities of peers via mutual guarantees that facilitate access to bank loans by borrowing and lending among themselves

		and encouraging regular saving. Many NGOs support SHGs in their activities and market/ credit access.
Moneylenders, traders, landlords	Informal ^(c)	Private individuals who lend money usually at exorbitant rates, usually operating on the market from their primary business space not necessarily related to their credit provision services.
Rotating savings and credit associations (ROSCAs)	Informal	Self organized group of individuals who pool money on a regular basis and use it on a rotating basis usually interest free. They are not registered and private.

Sources: Armendáriz and Morduch (2007) and Ledgerwood (1998)

- (a) Formal Institutions are subject to general laws and regulations, in addition to banking specific regulation and supervision
- (b) Semiformal Institutions are registered entities subject to general laws including commercial law but not in terms of bank regulation or supervision
- (c) Informal Institutions are subject to neither bank law nor commercial law (in this sense not referred to as an institution at all)

APPENDIX 2

The United Nations Millennium Development Goals (MDGs)

No.	UN's Millennium Development Goals (MDGs)	
1	Eradicating extreme poverty and hunger	<ol style="list-style-type: none"> 1. Halve the number of poor whose income is less than \$1 a day between 1990 and 2015 2. Achieve full and productive employment and decent work for all, including women and young people 3. Halve, between 1990 and 2015, the proportion of people who suffer from hunger
2	Achieving universal primary education	Ensure that all children of the world will be able to complete a full course of primary schooling by 2015
3	Promoting gender equality and empowering women	Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015
4	Reducing child mortality rates	Reduce the under-five mortality rate by two-thirds between 1990 and 2015
5	Improving maternal health	<ol style="list-style-type: none"> 1. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio 2. Achieve, by 2015, universal access to reproductive health
6	Combating HIV/Aids, malaria, and other diseases	<ol style="list-style-type: none"> 1. Halt and begin to reverse, by 2015, the spread of HIV/AIDS 2. Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it 3. Halt and begin to reverse, by 2015, the incidence of malaria and other major diseases
7	Ensuring environmental sustainability	<ol style="list-style-type: none"> 1. Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources 2. Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss 3. Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation 4. Achieve, by 2020, a significant improvement in the lives of at least 100 million slum dwellers
8	Developing a global partnership for development	<ol style="list-style-type: none"> 1. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system 2. Address the special needs of least developed countries, landlocked countries and small island developing states 3. Deal comprehensively with developing countries' debt 4. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries 5. In cooperation with the private sector, make available benefits of new technologies, especially ICTs

Source: United Nations Millennium Development Goals (2012): <http://www.un.org/millenniumgoals/>

QUESTIONNAIRES ¹

Preliminary remarks

The development of financial markets, go hand in hand with the economic development of a country/ region etc. For less developed countries with lower purchasing power per head, microfinance institutions (MFIs) play an important role in the financial market, as they meet the financial needs of the majority.

The Goal of my study is to interrogate and analyse the interaction between the MFIs and other institutions and stake holders. What benefits do the MFIs provide and how can this be linked to not only the general conditions/ framework within which these MFIs operate but also how is the whole set up influenced given the social and cultural context.

Therefore a sample of some 100 people would be interviewed to check for the familial life/ habits and social customs and norms. In addition the employees and senior executive MFI officers will be interviewed to check for institutional adjustments to the demands of the environment in which they operate. I will be asking you and the other respondents many questions, some very personal but let me assure you that the conversation/ interview that I would be having here with you would be absolutely anonymous and the identities of all respondents would not be disclosed to anyone.

I would like to express my deep gratitude that I may take your time to conduct this interview that would help me analyse and study the results later for my project.

STRUCTURE OF THE INTERVIEW

The interview is structured into two parts/ levels.

Level I: addresses the general questions on the occupational activity, MFI services and the impact it has for the enterprise or the household respectively.

Level II: addresses the more specific socio/ intra household dynamics, on which you would be asked many personal questions regarding your family and private life.

¹ For technical details and all questionnaires, I have mostly taken inspiration from and relied on survey questionnaires from Hulme and Mosley (1996) and Bhattacharyya et al. (2011)

APPENDIX 3A**Individual questionnaire: Borrower (women)**

Village	_____
District/ block	_____
Household number	_____
Full name of respondent	_____
Gotra (Surname)	_____
Gender	_____
S.No. of respondent	_____
Date	_____
Time started interview	_____
Time finished interview	_____
Additional details	_____

NOTES: (Living conditions of the respondent and the neighbourhood in general)

LEVEL I: Entrepreneur, enterprise, microfinance services and Impact

a) Entrepreneur and Enterprise profile

1. Age(in years) _____
2. Marital Status 1. Married 4. Widow
 2. Single 5. Separated
 3. Divorced
3. How long have you been living in this locality _____
4. Socio-cultural group:
 1. Hindu: Caste/ sub-Caste _____
 2. Muslim: Caste _____
 3. Jain: Caste _____
 4. Sikh: Caste _____
 5. Christian: Caste _____
 6. Other: Specify _____
5. Educational status:
A) Literacy level: Can you
 1. Write your name
 2. Operate/ handle a mobile
 3. Read a book or a newspaper

B) Did you complete
 1. Primary
 2. Secondary: lower_____, upper_____
3. Tertiary
 4. Few years of schooling without formal primary completion:
 Specify: No. of years:_____
5. No formal schooling, but some informal education
 Specify how long and by whom: _____
6. No schooling at all
6. Loan disbursed is an: 1. Individual loan 2. Group loan (SHG) 3. Amount _____
7. If a group loan, when was the SHG that you currently belong to started? _____
8. What was the purpose of the loan? (Tick all relevant options)
 1. To start or support or expand an economic activity/ enterprise
 2. For household expenses; specify _____
 3. Education
 4. Health expenses
 5. Any other, specify _____

Q 9 to 20, to ask if the loan was for economic activity and where relevant

9. Type of enterprise supported by credit
- | | |
|---------------|-------------------------|
| 1. Production | 3. Trade |
| 2. Service | 4. Other: specify _____ |
10. Is the loan assisted enterprise your main source of income?
- | | | |
|--------|-------|---------------|
| 1. Yes | 2. No | 3. Don't know |
|--------|-------|---------------|
11. If NO, specify main source of income? _____

12. How old is the enterprise Years _____ + Months _____
13. What is the ownership structure of the enterprise?
1. Sole proprietor
 2. Family partnership: if so who in the family is co-owning: _____
 3. Non-family partnership
 4. Cooperative/ group
 5. Other _____
14. What is the location of the business?
1. Rural (countryside)
 2. Rural (town)
 3. Peri-Urban
 4. Urban
15. Is your enterprise located at the same place as your home? 1. Yes 2. No
16. What is the nature of the business premises?
1. Own (family) premises and land
 2. Leased land
 3. Rented premises
 4. Informal/ uncertified use of site
 5. Fully mobile
 6. Other: _____
17. How many people (paid and unpaid) are there in your business? _____
18. Is the enterprise seasonal? 1. Yes 2. No
19. Have you been successful in getting more customers / business over the period of the present loan and has the business in general prospered? 1. Yes 2. No
20. What is the general reaction of the business success/ failure from the following groups:
1. Immediate family _____
 2. Extended family _____
 3. Neighbours _____
 4. Competitors _____
 5. Previous sources of capital _____
 6. Religious faction/ community _____
 7. Others: Specify _____

b) Income: Savings/ credit; impact on household

21. What was the main source of your start up funds?
1. Project loan
 2. Other loan
 3. Household savings
 4. Personal savings
 5. Gifts; if so by whom: _____
 6. Other _____
22. Other sources of credit in the past:
1. Bank: _____
 2. Other lending Institutes: _____
 3. Local traders /Money lenders /Landlords (big men) _____
 4. Family/ friends _____

5. None.

23. Who could possibly be profiting directly from the current loan and its disbursement and explain how they benefit: (give relevant examples for illustration in brackets)
1. MFI employee (e.g.: because they work on provision basis) _____
 2. Trade partners/ suppliers (More business; easy payments/ transfer of money) _____
 3. Co-owner/ business partner (capital inflow in the business) _____
 4. Children (dowry etc) _____
 5. Other: Specify _____
24. Who could possibly be profiting indirectly from the loan and its disbursement and explain how they benefit: (give relevant examples for illustration in brackets)
1. Children (due to increased family income) _____
 2. Husband (reduces economic burden) _____
 3. Extended family and friends (gifts, employment in the business with salary) _____
 4. Neighbours (marriage of daughter gifts etc. or employment etc) _____
 5. Other: specify _____
25. All those who directly or indirectly benefit from the loan disbursement, are they aware of the source of this benefit being the MFI and what are their reactions? (illustrate with the help of examples like envy, thankful, anger (in case family members have to work and get no payment for it etc.) but not ask directly) _____
- _____
- _____
26. Has a bank or a lending Institute ever refused you a loan application?
1. Yes 2. No 3. Never applied
27. Are any of your previous loans outstanding? 1. Yes 2. No
28. Are there arrears (Is the respondent behind in her loan repayments)? 1. Yes 2. No
29. If YES; why and what are the reasons for the arrears?
1. Social reasons: specify _____
 2. Business failure
 3. Natural disaster
 4. Consumption requirements
 5. Other _____
30. Have you obtained any other loan during the lifespan of the present loan? 1. Yes 2.No
31. If yes: specify by source (whether bank, microfinance institute, money lender, landlord, trader etc., family or friends), the purpose and total amount borrowed:
- | Name of source | Number of loans and purpose | Total amount borrowed |
|----------------|-----------------------------|-----------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
32. Would you still be able to rely on these sources if required?
1. Yes 2. No: why _____

33. Are you a member of a borrower group? 1. Yes 2. No

If yes; 1. For how long: Years __, months __; and
2. How many members does this group have? ____

34. How were you recruited to join the SHG? (Tick all relevant options)

- | | |
|---|------------------------------------|
| 1. I wanted to join – my own motivation | 5. NGO/ Bank approached me to join |
| 2. Friends asked me to join | 6. Animator approached me to join |
| 3. Relatives asked me to join | 7. Any other, specify. |
| 4. Husband asked me to join | |

35. Besides dealing with loans and savings, does your group have any other activities?

36. Household size? _____

37. Who is the head of the household? 1. You 4. Mother
2. Spouse 5. Other: Specify _____
3. Father

38. Household Structure

S.No.	Name	Sex	Age	Relation to head of household	Marital status	Education level	Residence (in/out of the village)

39. Is this a a) Joint family? b) Nuclear family?

40. How many in your household have wage employment?

1. now _____ 2. before Loan _____

41. How many dependents within the family would be affected if you were not to have an income and why? Those affected from loss of respondents income Reason

_____	_____
_____	_____

42. How many members of your household are employed in your enterprise at the moment and before the loan?

Number employed	Now	before Loan
1. Full-time	_____	_____
2. Part-time	_____	_____
3. Casual	_____	_____

43. Do you pay these family employees? 1. Yes 2. No

44. What other economic activities are you and members of your household engaged in?

	You	Spouse	Others
1. Wage employment	_____	_____	_____
2. Agriculture	_____	_____	_____
3. Livestock	_____	_____	_____
4. Other (self-employment)	_____	_____	_____

45. Which of the following is true for your income (before any loan from the MFI): “your income...:

- 1... allowed you to build your savings”
- 2... allowed you just to save a little”
- 3... only just met your expenses”
- 4... was not sufficient so you used to use your savings to meet expenses”
- 5... was really not sufficient, so you needed to borrow to meet expenses”

46. How has this income situation changed with the MFI loan (own assessment)?

47. How did your neighbours assess your household status (relative to neighbourhood) before the loan:

- | | |
|---------------------|--------------------|
| 1. Relative wealthy | 3. Relatively poor |
| 2. Just average | 4. Very poor |

48. What has changed with/ after the loan (neighbours assessment)? _____

LEVEL II: Details on the Socio / intra-household dynamics

c) Marriage details (in case married)/ Natal family; dependence and care

49. What is your husband's name? _____

50. What was your age at your current marriage? _____

51. Is this your first marriage? 1. Yes 2. No

52. If NO, how many times have you been married before? _____

53. Have you married within your kin group? 1. Yes: a) Blood relative 2. No
b) Clan/ caste

54. If married within kin group (1. (a)), specify: 1. Cross cousin marriage
2. Maternal/ Paternal cousin

3. Any other kin member_____
55. Marriage distance, specify:
 1. In-village marriage
 2. Outside the village; If outside village, indicate place and distance_____
56. Were your preferences ascertained before finding a husband for you? 1. Yes 2. No
57. How would you rank the relative status of your family versus your husband's at the time of your marriage?
 1. Same as your family 3. Lower than your family
 2. Higher than your family 4. Don't know
58. What is/was your father's main occupation?
 1. Wage employment in agriculture 4. Self- employed in non-agricultural activities
 2. Wage employment in non-agricultural activities 5. Salaried job
 3. Self- employed in agriculture 6. Any other, specify
59. Number of siblings: Brothers: Sisters:
 _____ Younger Brother(s) _____ Younger Sister(s)
 _____ Elder Brother(s) _____ Elder Sister(s)

Old age support

Only if one or both parents are alive

60. When your parents fall sick or are disabled, who takes care of them?
 1. Myself 4. Neighbours
 2. My brothers and their wives 5. No one
 3. Other relatives 6. Any other, specify
61. Before you were married, did you work
 1. on family land, with or without wages?
 2. for wages/ income, in cash or in kind?
 3. Did not work
62. If yes, what did you do with the income?
 1. Gave it to parents 3. Savings
 2. Spent it on yourself 4. Any other, specify
63. Before your marriage if you were an earning member of the family, how much did your earnings contribute to the total income of your natal family?
 1. Almost none 3. About half 5. All
 2. Less than half 4. More than half
64. Are there members of your family beyond the household who are dependent on you?
 1. Yes 2. No
65. If yes, how many members of the family beyond the household are dependent on you?
 1. now _____ 2. before loan _____
66. After your marriage, do you give money to your parents?
 1. Regularly remit 4. Rarely
 2. Occasionally (on festivals, events, illness) 5. Not at all

3. If they ask, if there is a crisis

67. If regular remittance, then what is amount of regular remittance? _____
If in kind, provide approximate value in Rs.: _____

68. If yes, do you give money (or in kind support) with your husband's knowledge?
1. Yes 2. No

69. If you do not give money (or in kind support) to your parents, why not?
1. Married daughters do not give; parents will not accept from married daughters
2. Parents do not need
3. Husband objects
4. Cannot afford
5. Any other, specify

70. If you regularly remit, why?
1. Parents cannot support themselves 3. My brothers do not support/ no brother
2. It is my responsibility 4. Any other, specify _____

71. In your community, are married daughters expected to take care of/ support their parents?
1. Yes 2. No

***d) Details on respondent, her husband/ Father/ Guardian and intra-household
dynamics; Violence (verbal, physical, emotional)***

(For married respondents with husbands who are alive. For single women/ widowed respondents, substitute husband with Father/ other male figure, having authority within the household, where applicable) ☐ **Husband** ☐ **Father** ☐ **Other; specify** _____

72. What is your opinion on the importance of the following institutions/ people and who makes them up respectively: (probe whether socially important or feared or threat to faith (interest in Islam for example) and/ or customs or norms?)
1. Banks (commercial, agricultural etc.) _____
 2. MFIs (NGOs, micro credit banks etc.) _____
 3. Money lenders/ traders (other credit sources) _____
 4. Big important men/ groups within the locality _____
 5. Religious/ community affiliated groups _____
 6. Public officials/ employees _____
 7. Others who might be influential in any way, specify _____
73. Ever since your membership/ association with the MFI, have you been encountered/ threatened or provoked in any way (physical or verbal) by the following groups, give details if so:
1. Public officials/ servants (bureaucracy) _____
 2. Other local money lenders/ traders _____
 3. The Religious faction/ Mullah/ priest/ pandit _____
 4. Feudal / Landlords/ big men _____
 5. Other rural Banks/ MFIs etc.: specify _____
 6. The Village/ community head/ Panchayat _____
 7. Other family members: specify _____
 8. Neighbours _____

9. The (loan officers/ employees of the) MFI you are with now _____
10. Others: specify _____
74. What is the opinion of the following people/ groups, about the operations of the MFI, from which you get your loan, in your area?
1. The Village/ community head/ Panchayat _____
 2. The Religious faction/ Mullah/ priest/ pandit _____
 3. Feudal/ Landlords/ Big men in the area _____
 4. Local money lenders/ traders _____
 5. Senior Men/ members of the caste you belong to _____
 6. Family members _____
 7. Neighbours _____
75. Does your husband know of your borrower status that helps you earn money?
1. Yes
 2. No
 3. Don't know _____
76. Do you know your family income?
1. Yes
 2. No
77. How much do your earnings contribute to the total household income?
1. Almost none
 2. Less than half
 3. About half
 4. More than half
 5. All
78. When you earn money, do you
1. Give all to husband/ other family member
 2. Gives some to husband/ other family member, keeps some for self
 3. Keeps all of it
 4. Any other, specify
 5. No answer
79. If part of the income is retained, is that
1. With your husband's knowledge?
 2. Without your husband's knowledge?
80. If your husband were unable to support you, would you be able to support yourself and your children?
1. Yes
 2. No
 3. No answer
81. Is there someone else you could rely on for support?
1. Yes
 2. No
82. If yes, please provide details. _____
83. Does your household have a bank account?
1. Yes
 2. No
84. If yes, in whose name? _____
85. Do you have a bank account that you *yourself* use?
1. Yes
 2. No
86. Regardless of who keeps the money you earn, do you have a say in how your earnings are used or does someone else decide this?
1. Respondent has a say
 2. Husband has a say
 3. Someone else has a say
 4. No answer
87. Does your husband ever drink alcohol?
1. Yes
 2. No

88. If yes, can it happen that he gets drunk?

- | | |
|---|-------------------------|
| 1. Never | 4. Several times a week |
| 2. Rarely | 5. Every day |
| 3. Sometimes (Social events, festivals) | |

89. Are you afraid to disagree sometimes with your husband because he will be angry with you?

- | | | |
|--------|-------|--------------|
| 1. Yes | 2. No | 3. No answer |
|--------|-------|--------------|

90. How often do you and your husband disagree on the following issues?

	Frequently	Not very often	Never	Varies
1. Moral and religion	_____	_____	_____	_____
2. Spending money/ financial preferences	_____	_____	_____	_____
3. Education of children	_____	_____	_____	_____
4. Use of alcohol	_____	_____	_____	_____
5. SHG/ MFI association	_____	_____	_____	_____

91. Would he permit you to improve your education if you wanted to?

1. Yes 2. No

92. I am going to ask you about some situations which happened to some women. Please tell me if these apply to your relationship with your husband.

i) He (is/was) jealous or angry if you (talk/talked) to other men.	a) Yes b) No c) Sometimes d) Don't know e) No answer
ii) He frequently (accuses/accused) you of being unfaithful.	a) Yes b) No c) Sometimes d) Don't know e) No answer
iii) He (does/did) not permit you to meet your female friends.	a) Yes b) No c) Sometimes d) Don't know e) No answer
iv) He (tries/tried) to limit your contact with your family.	a) Yes b) No c) Sometimes d) Don't know e) No answer
v) He (insists/insisted) on knowing where you (are/were) at all times	a) Yes b) No c) Sometimes d) Don't know e) No answer
vi) He (does/did) not trust you with any money.	a) Yes b) No c) Sometimes d) Don't know

	e) No answer
vii) Ho would have problems to let you go alone to the market/ outside	a) Yes b) No c) Sometimes d) Don't know e) No answer
viii) Your husband does not allow you to travel to a nearby town alone.	a) Yes b) No c) Sometimes d) Don't know e) No answer

93. Does your husband mistreat/ abuse you (give e.g. of emotional abuse as degrading remarks against herself/ loved ones, personal attacks on character, threatening with divorce etc.; and physical abuse as in actions causing physical pain via slapping, hitting, pushing, pulling of hair, kicking etc.):

	Yes	No
1. emotionally/ verbally	_____	_____
2. physically	_____	_____

94. Has he recently,

1. Physically hurt/ threatened or mistreated you	1. Often 2. Sometimes 3. Not at all
2. Said or done something to humiliate you in front of others?	1. Often 2. Sometimes 3. Not at all
3. Threatened to hurt or harm you or someone close to you or himself?	1. Often 2. Sometimes 3. Not at all
4. Made you feel bad about yourself?	1. Often 2. Sometimes 3. Not at all
5. Ignored/ been indifferent	1. Often 2. Sometimes 3. Not at all
6. Been finding fault with you	1. Often 2. Sometimes 3. Not at all
7. Any other, specify.	1. Often 2. Sometimes 3. Not at all

95. What was the reason for the conflict/ abuse? (Tick all relevant options)

Reason	Emotional/verbal abuse	Physical abuse
1. Not attending to household chores/ children/ in laws properly		
2. Talking to neighbours/other men		

3. Dowry issues 4. Frustration due to economic problems 5. Because there is disagreement on decisions regarding spending of family income 6. Any other, specify		
--	--	--

96. Whom do you seek support from when you are mistreated?

Support	Emotional/verbal abuse	Physical abuse
1. No one 2. My parents 3. My relatives 4. Friends and neighbours 5. Co-workers 6. Peer group (loan) 7. Any other, specify		

97. Do you think that your association with the MFI and the change in your income from the loan is responsible for a deterioration in your relationship (if any) with husband/ father/ guardian
Elaborate (probe): _____

_____ :::::::::: _____

98. Did you join the SHG or become a member of (group) lending as it may help you deal with marital abuse and (marital) violence? 1. Yes 2. No

99. Does your husband/ father/ male guardian approve of you joining the SHG or being provided a loan? 1. Yes 2. No

100. Due to your membership with the MFI, has anyone (apart from your husband/ father/ guardian) abused you? 1. Yes 2. No

101. If yes, who abused you?

	Emotional/verbal abuse	Physical abuse
1. Father-in-law 2. Mother-in-law 3. Son 4. Daughter 5. Other relatives 6. Any other, specify		

102. If yes, how frequently does this happen?

Frequency	Emotional/verbal abuse	Physical abuse
1. Every day 2. At least once in a week (but not every day) 3. At least once in a month 4. Occasionally 5. Cannot tell		

103. Ever since your membership with the MFI, have you been able to defend yourself actively against the mistreatment/ abuse from your husband / other family members (be it emotional/ verbal/ physical)

1. Yes, specify against whom and how _____

2. No

104. If yes, how frequently have you had to defend yourself?

Frequency	Emotional/verbal abuse	Physical abuse
1. Every day		
2. At least once in a week (but not every day)		
3. At least once in a month		
4. Occasionally		
5. Cannot tell		

Thank the respondent and conclude the survey

APPENDIX 3B Individual questionnaire: Husband/ Father/ Guardian of borrower

Village	_____
District/ block	_____
Household number:	_____
Full name of respondent	_____
Gotra (Surname)	_____
Gender	_____
S.No. of respondent:	_____
Family relationship to Female respondent	_____
Date	_____
Time started interview	_____
Time finished interview	_____
Additional details	_____

NOTES: (Living conditions of the respondent and the neighbourhood in general)

[illegible]

a) Husbands/ Fathers/ Male Guardians profile and credit background

1. Age _____
2. Main occupation _____
3. Whether work undertaken is seasonal 1. Yes 2. No
4. Any other sources of income
 1. None
 2. Wage employment
 3. Livestock
 4. Agriculture
 5. Other production / service / trade enterprise
 6. Other combination: Specify _____
5. Socio-cultural group:
 1. Hindu: Caste/ sub-Caste _____
 2. Muslim: Caste _____
 3. Jain: Caste _____
 4. Sikh: Caste _____
 5. Christian: Caste _____
 6. Other: Specify _____
6. Educational status:
 - A) Literacy level: Can you
 1. Write your name
 2. Operate/ handle a mobile
 3. Read a book or a newspaper
 - B) Did you complete
 1. Primary
 2. Secondary: lower_____, upper_____
 3. Tertiary
 4. Few years of schooling without formal primary completion:
Specify: No. of years:_____
 5. No formal schooling, but some informal education
Specify how long and by whom: _____
 6. No schooling at all
7. Have you ever applied for a loan with a credit institute in your life ? 1. Yes 2. No
8. If yes, has a bank or a lending Institute ever refused you a loan application? 1. Yes 2. No
9. Have you ever had anything to do with a bank/ financial institute/ money lenders or others regarding financial matters? 1. Yes 2. No
10. If yes with whom and in which context:

	Savings	Credit
1. Bank/ finance Institute	_____	_____
2. Money Lenders/ Traders	_____	_____
3. MFI's	_____	_____
4. Others, specify_____	_____	_____

11. What is your opinion on the importance of the following institutions/ people and who makes them up respectively: (probe whether socially important or feared or threat to faith (interest in Islam for example) and/ or customs or norms?)
1. Banks (commercial, agricultural etc.) _____
 2. MFIs (NGOs, micro credit banks etc.) _____
 3. Money lenders/ traders (other credit sources) _____
 4. Big important men/ groups within the locality _____
 5. Religious/ community affiliated groups _____
 6. Public officials/ employees _____
 7. Others who might be influential in any way, specify _____
12. Do your neighbours assess your household as:
- | | |
|---------------------|--------------------|
| 1. Relative wealthy | 3. Relatively poor |
| 2. Just average | 4. Very poor |
13. In your opinion, women who are clients of the MFIs are (tick all relevant options):
1. Benefiting from the loan economically
 2. Helping their families and improving her own and their families lives
 3. Are more confident and emancipated because of their economic power
 4. Not benefiting at all
 5. Are thought and spoken bad of in the community/ neighbourhood
 6. Are having trouble dealing with confrontations within the family, society and communal life by peers or other groups because of their membership with the MFI; specify _____
 7. Causing problems and disharmony for their husbands and family due to the change in income and their status within the family; specify _____
 8. Personal opinion; if any _____

b) Marriage details; dependence and care

14. What is your wife's name? _____
 (Note: If respondent is Muslim, ask if he has any 'other' wives; if yes, note all details for 'others' as well)
15. What was your age at your current marriage? _____
16. Is this your first marriage? 1. Yes 2. No
17. If no, how many times have you been married before? _____
18. Were your preferences ascertained before finding a wife for you? 1. Yes 2. No
19. How would you rank the relative status of your family versus your wife's at the time of your marriage?
1. Same as your family
 2. Higher than your family
 3. Lower than your family
 4. Don't know
20. What is/was your father's main occupation?
- | | |
|---|--|
| 1. Wage employment in agriculture | 4. Self- employed in non-agricultural activities |
| 2. Wage employment in non-agricultural activities | 5. Salaried job |

3. Self- employed in agriculture 6. Any other, specify
 21. How much agricultural land does your natal family own? _____

22. Number of siblings: Brothers: Sisters:
 _____ Younger Brother(s) _____ Younger Sister(s)
 _____ Elder Brother(s) _____ Elder Sister(s)

Old age support **Only if one or both parents are alive**

23. When your parents fall sick or are disabled, who takes care of them? (Tick all relevant options)
 1. Myself 5. Neighbours
 2. My brother(s) and his/ their wife(ves) 6. No one
 3. My sister(s) and her family(ies) 7. Any other, specify
 4. Other relatives

24. What is the major source of financial support for your parents? (Tick all relevant options)
 1. Sons 6. Rent, dividends, interest, pension
 2. Daughters 7. Own earnings
 3. Other relatives 8. Government support
 4. Savings 9. Any other, specify
 5. Land

25. Does your wife give money to / financially support her parents?
 1. Regularly remit
 2. Occasionally (on festivals, events, illness)
 3. If they ask, if there is a crisis
 4. At other very rare occasions
 5. Not at all

26. If no, why not?
 1. Married daughters do not give; parents will not accept from married daughters
 2. Parents do not need
 3. I don't like it
 4. Cannot afford
 5. Any other, specify

27. In your community, are married daughters expected to take care of/ support their parents?
 1. Yes 2. No

c) Details attitude towards wife; social/ intra-household dynamics; Violence (verbal/ physical/ emotional)

28. Does your wife know your and the overall family income?
 1. Yes 2. No 3. Other: specify _____

29. How much do her earnings contribute to the total household income?
 1. Almost none 4. More than half
 2. Less than half 5. All
 3. About half

30. When she earns money, does she usually:
1. Give all to you / other family member: specify_____
 2. Give some to you/ other family member, keeps some for herself: specify_____
 3. Keep all of it
 4. Other specify
 5. No answer
31. When you earn money, do you usually:
1. Give all to wife/ other family member: specify_____
 2. Give some to wife/ other family member, keeps some for yourself: specify_____
 3. Keep all of it
 4. Other specify
 5. No answer, refusal
32. If you retain a part of your income, is that
1. With your wife's knowledge?
 2. Without your wife's knowledge?
33. Does your household have a joint bank account? 1. Yes 2. No
34. If yes, in whose name? _____
35. Does your wife have a bank account that she *herself* uses? 1. Yes 2. No
36. Has she *herself* ever taken a loan—cash/ kind—from any programme to start or to expand a business or is she part of a SHG? 1. Yes 2. No
37. If yes, please provide details. _____
38. Regardless of who keeps the money she earns, do you have a say in how her earnings are used?
1. Yes; specify in which way_____
 2. No
39. Does someone else have a say apart from herself, in how her earnings are used?
- _____
40. Regardless of who keeps the money you earn, do you have a say in how your earnings are used or does someone else decide this?
1. Wife has a say
 2. The respondent has a say
 3. Someone else has a say
 4. No answer
41. Do you agree or disagree with the following statements below:
- Some people say:
- | | Agree | Disagree |
|---|-------|----------|
| a) Women are not made for business, therefore, their husbands should handle all financial issues and keep control of the money. | _____ | _____ |
| b) Women should get more education so that they can better handle financial issues. | _____ | _____ |
| c) It is OK if a wife earns more than her husband. | _____ | _____ |

42. Do you ever drink alcohol? 1. Yes 2. No

43. If yes, can it happen that you get drunk
 4. Never 4. Several times a week
 5. Very rarely 5. Every day
 6. Sometimes (Social events, festivals etc.)

44. Does anyone mind, if your wife goes out without your or a senior family member's permission?

To the market 1. Yes 2. No 3. Not allowed	Meet friends 1. Yes 2. No 3. Not allowed	Meet relatives/ parents 1. Yes 2. No 3. Not allowed	To the fields 1. Yes 2. No 3. Not allowed	To a place of worship 1. Yes 2. No 3. Not allowed	To travel to a nearby Town 1. Yes 2. No 3. Not allowed	Local Health Centre 1. Yes 2. No 3. Not allowed
--	---	--	--	--	---	--

45. Does anyone mind, if your wife goes out without informing you / a senior family member?

To the market 1. Yes 2. No 3. Not allowed	Meet friends 1. Yes 2. No 3. Not allowed	Meet relatives/ parents 1. Yes 2. No 3. Not allowed	To the fields 1. Yes 2. No 3. Not allowed	To a place of worship 1. Yes 2. No 3. Not allowed	To travel to a nearby Town 1. Yes 2. No 3. Not allowed	Local Health Centre 1. Yes 2. No 3. Not allowed
--	---	--	--	--	---	--

46. Do you find it normal/ OK if Yes No
 a). If (married) women work outside? — —
 b). If (married) women talk to other men? — —
 c). If (married) women often dress well? — —
 d). Women improve their education if they want to? — —

47. Is there something wrong with a man who does not hit or beat his wife?
 1. Yes 2. No

48. If yes, what is wrong? (Probe) _____

49. What is the opinion of the following people/ groups, about the operations of the MFI, from which many women get loans, in your area?

1. The Village/ community head/ Panchayat _____
2. The Religious faction/ Mullah/ priest/ pandit _____
3. Feudal/ Landlords/ Big men in the area _____
4. Local money lenders/ traders _____
5. Senior men/ members of the caste you belong to _____
6. Your family _____
7. Your neighbours/ colleagues _____

50. Have you been encountered/ threatened or provoked in any way (physical or verbal) because your wife works/ earns money by the following groups:

1. Public officials/ servants (bureaucracy) _____
2. Other local money lenders/ traders _____
3. Landlords/ big men _____
4. Other rural Banks/ MFIs etc.: specify _____
5. Village heads _____
6. Other family members: specify _____
7. Neighbours/ Colleagues _____
8. The (loan officers/ employees of the) MFI you wife is with now _____
9. Others: specify _____

51. If YES, give details: _____

52. Do you and your wife have disagreements/ fights/ loud arguments and how often?
 Specify: _____

53. I will now be making some situations relating to attitudes of husbands towards their wives. I would like to know, if you know anyone among your friends/ peers/ neighbours/ family who finds such behaviour/ way of thinking (about their wives/ women) normal?

a. A husband says or does something to humiliate his wife in front of others?

1. Nobody	2. A few people	3. Many people	4. Almost everyone
-----------	-----------------	----------------	--------------------

b. A husband threatens to hurt or harm his wife or someone close to her/ himself?

1. Nobody	2. A few people	3. Many people	4. Almost everyone
-----------	-----------------	----------------	--------------------

c. A husband insults his wife or makes her feel bad about herself?

1. Nobody	2. A few people	3. Many people	4. Almost everyone
-----------	-----------------	----------------	--------------------

d. A husband can and may ignore or be indifferent to his wife?

1. Nobody	2. A few people	3. Many people	4. Almost everyone
-----------	-----------------	----------------	--------------------

e. A husband finds fault with his wife just to have a reason for a provocation?

1. Nobody	2. A few people	3. Many people	4. Almost everyone
-----------	-----------------	----------------	--------------------

f. A husband is (frequently) violent towards his wife physically for whatever reason?

1. Nobody	2. A few people	3. Many people	4. Almost everyone
-----------	-----------------	----------------	--------------------

g. A husband can abuse his wife emotionally and verbally?

1. Nobody	2. A few people	3. Many people	4. Almost everyone
-----------	-----------------	----------------	--------------------

54. Have you ever conducted such behaviour towards your wife?

1. Rarely 2. Sometimes 3. Never

55. If and when there is a conflict in your household what is the main reason? (Tick all relevant options)

Reason	Emotional/verbal abuse	Physical abuse
1. Not attending to household chores/ children/ in laws properly 2. Talking to neighbours/other men 3. Dowry issues 4. Frustration due to economic problems 5. Because there is disagreement on decisions regarding spending of family income 6. Any other, specify		

56. Does your wife maltreat/ provoke you emotionally/verbally when you are not already emotionally/ verbally hurting her? 1. Yes 2. No

57. Does your wife physically maltreat you when you are not already physically hurting her? 1. Yes 2. No

58. If yes, how frequently does this happen?

Frequency	Emotional/verbal abuse	Physical abuse
1. Every day 2. At least once in a week (but not every day) 3. At least once in a month 4. Occasionally 5. Cannot tell		

Thank the respondent and conclude the survey

APPENDIX 3C**Individual questionnaire: Non-Borrower (women)**

Village	_____
District/ block	_____
Household number	_____
Full name of respondent	_____
Gotra (Surname)	_____
Gender	_____
S.No. of respondent	_____
Date	_____
Time started interview	_____
Time finished interview	_____
Additional details	_____

NOTES: (Living conditions of the respondent and the neighbourhood in general)

LEVEL I: Profile, Stand on MFI and household

a) Respondents Profile

1. Age (in years) _____
2. Marital Status
 1. Married
 2. Single
 3. Divorced
 4. Widow
 5. Separated
3. How long have you been living in this locality _____
4. Socio-cultural group:
 1. Hindu: Caste/ sub-Caste _____
 2. Muslim: Caste _____
 3. Jain: Caste _____
 4. Sikh: Caste _____
 5. Christian: Caste _____
 6. Other: Specify _____
5. Educational status:
 - A) Literacy level: Can you
 1. Write your name
 2. Operate/ handle a mobile
 3. Read a book or a newspaper
 - B) Did you complete
 1. Primary
 2. Secondary: lower_____, upper_____
 3. Tertiary
 4. Few years of schooling without formal primary completion:
Specify: No. of years:_____
 5. No formal schooling, but some informal education
Specify how long and by whom: _____
 6. No schooling at all
6. Are you working or employed (paid) in any way? 1. Yes 2. No
7. If Yes, specify:_____

b) Stand on Microfinance; Income and financial position of the household

8. Which credit possibilities do you have on the market?
 1. Banks (commercial/ agriculture etc.)
 2. Microfinance Institutes/ organisations
 3. Money Lenders/ Traders
 4. Others, specify: _____
9. In addition to other means of credit (money lenders/ traders/ feudal lords etc.), how long has the possibility of small loans from an MFI existed in your locality/area? _____
10. Has a bank or a lending Institute ever refused you a loan application?
 1. Yes
 2. No
 3. Never applied

11. Have you ever had anything to do with a bank/ financial institute/ money lenders or others regarding financial matters? 1. Yes 2. No
12. If yes with whom and in which context: Savings Credit
- | | | |
|----------------------------|-------|-------|
| 1. Bank/ finance Institute | _____ | _____ |
| 2. Money Lenders/ Traders | _____ | _____ |
| 3. Others, specify_____ | _____ | _____ |
13. What is your opinion on the importance of the following institutions/ people and who makes them up respectively: (probe whether socially important or feared or threat to faith (*interest in Islam for example*) and/ or customs or norms?
1. Banks (commercial, agricultural etc.) _____
 2. MFIs (NGOs, micro credit banks etc.) _____
 3. Money lenders/ traders (other credit sources) _____
 4. Big important men/ groups within the locality _____
 5. Religious/ community affiliated groups _____
 6. Public officials/ employees _____
 7. Others who might be influential in any way, specify _____
14. Is there a women's SHG in your village supported by an MFI? a) Yes b) No
15. Are you a borrower with/ member of an/ a MFI/ SHG?
1. Yes; which one _____ since when: _____
 2. No; why _____
16. If no, have you ever considered taking a loan from an MFI and/ or joining a SHG?
1. Yes
 2. No
 3. No answer
17. If yes (but is still not with **any** MFI), why have you then not opted for it? _____
- _____
- _____
18. Are there other women in your family, neighbourhood, community, village etc. who are active borrowers of an MFI? 1. Yes 2. No
19. What does your husband/ head of the household/ other family members think of the idea of getting a loan from the MFI?(Note: mention which answer refers to whom within the family)
- _____
- _____
- _____
20. In case of an economic emergency/ financial need who do you turn to:
1. Rely on own savings
 2. Borrow from family and friends
 3. Lend from clan members/ neighbours
 4. Lend from Money lenders/ traders/ land lords/ big men etc.
 5. Others; specify_____
21. In your opinion, women who are clients of the MFIs are (tick all relevant options):
1. ...benefiting from the loan economically?

2. ...helping their families and improving her own and their families live
3. ...more confident and emancipated because of their economic power
4. ...not benefiting at all
5. ... thought and spoken bad of in the community/ neighbourhood
6. ...having trouble dealing with confrontations within the family, society and communal life by peers / other groups because of their membership with the MFI; specify_____
7. ...causing problems and disharmony for their husbands and family due to the change in income and their status within the family; specify_____
8. ...personal opinion; if any _____

22. Household size? _____

23. Who is the head of the household?
- | | |
|-----------|------------------------|
| 1. You | 4. Mother |
| 2. Spouse | 5. Other: Specify_____ |
| 3. Father | |

24. Household Structure

S.No.	Name	Sex	Age	Relation to head of household	Marital status	Education level	Residence (in/out of the village)

25. Is this a a) Joint family? b) Nuclear family?

26. How many in your household have wage employment? _____

27. What other economic activities are you and members of your household engaged in?

	You	Spouse	Others
5. Wage employment	_____	_____	_____
6. Agriculture	_____	_____	_____
7. Livestock	_____	_____	_____
8. Other (self-employment)	_____	_____	_____

28. **If economically active**, then how many dependents within the family would be affected if you were not to have an income and why?

Those affected from loss of respondents income

Reason

29. Are there members of your family beyond the household who are dependent on you?
 1. Yes, specify how many: _____ 2. No

30. Which of the following is true for your income: “your income...:
 1... allows you to build your savings”
 2... allows you just to save a little”
 3... only just meets your expenses”
 4... is not sufficient so you need to use your savings to meet expenses”
 5... is really not sufficient, so you need to borrow to meet expenses”

31. Do your neighbours assess your household (relative to neighbourhood) as:
 1. Relative wealthy 3. Relatively poor
 2. Just average 4. Very poor

LEVEL II: Details on the Socio / intra-household dynamics

b) Marriage details (in case married otherwise male guardian), dependence & care

32. What is your husband's name? _____
33. What was your age at your current marriage? _____
34. Is this your first marriage? 1. Yes 2. No
35. If NO, how many times have you been married before? _____
36. Have you married within your kin group? 1. Yes: a) Blood relative 2. No
 b) Clan/ caste
37. If married within kin group (1. (a)), specify: 1. Cross cousin marriage
 2. Maternal/ Paternal cousin
 3. Any other kin member _____
38. Marriage distance, specify:
 1. In-village marriage
 2. Outside the village, If outside village, indicate place and distance _____
39. Were your preferences ascertained before finding a husband for you? 1. Yes 2. No
40. How would you rank the relative status of your family versus your husband's at the time of your marriage?
 1. Same as your family 3. Lower than your family
 2. Higher than your family 4. Don't know
41. What is/was your father's main occupation?

- | | |
|---|--|
| 1. Wage employment in agriculture | 4. Self- employed in non-agricultural activities |
| 2. Wage employment in non-agricultural activities | 5. Salaried job |
| 3. Self- employed in agriculture | 6. Any other, specify _____ |

42. Number of siblings:
- | | |
|--------------------------|--------------------------|
| Brothers: | Sisters: |
| _____ Younger Brother(s) | _____ Younger Sisters(s) |
| _____ Elder Brother(s) | _____ Elder Sister(s) |

Old age support **Only if one or both parents are alive**

43. When your parents fall sick or are disabled, who takes care of them?
- | | |
|--------------------------------|--------------------------|
| 1. Myself | 4. No one |
| 2. My brothers and their wives | 5. Other relatives _____ |
| 3. Neighbours | 6. Any other, specify |
44. Before you were married, did you work
- | |
|---|
| 1. On family land, with or without wages? |
| 2. For wages/ income, in cash or in kind? |
| 3. Did not work |
45. If yes, what did you do with the income?
- | |
|-------------------------|
| 1. Gave it to parents |
| 2. Spent it on yourself |
| 3. Savings |
| 4. Any other, specify |
46. Before your marriage if you were an earning member of the family, how much did your earnings contribute to the total income of your natal family?
- | | | |
|-------------------|-------------------|--------|
| 1. Almost none | 3. About half | 5. All |
| 2. Less than half | 4. More than half | |
47. After your marriage, do you give money to your parents?
- | | |
|---|---------------|
| 1. Regularly remit | 4. Rarely |
| 2. Occasionally (on festivals, events, illness) | 5. Not at all |
| 3. If they ask, if there is a crisis | |
48. If regular remittance, then what is amount of regular remittance? _____
- If in kind, provide approximate value in Rs.: _____
49. If yes, do you give money with your husband's knowledge? 1. Yes 2. No
50. If you do not give money to your parents, why not?
- (a) Married daughters do not give; parents will not accept from married daughters
 - (b) Parents do not need
 - (c) Husband objects
 - (d) Cannot afford
 - (e) Any other, specify: _____

51. If you regularly remit, why? 1. Parents cannot support themselves

2. It is my responsibility
3. My brothers do not support/ no brother
4. Any other, specify

52. In your community, are married daughters expected to take care of/ support their parents?

1. Yes
2. No

d) Details on husband/ Father/ Guardian; intra-household dynamics; violence (verbal, physical, emotional)

(For married respondents with husbands who are alive. For single women/ widowed respondents, substitute husband with Father/ other male figure, having authority within the household, where applicable) ☐ **Husband** ☐ **Father** ☐ **Other; specify** _____

53. What is the opinion of the following people/ groups, about the operations of the MFI, from which many women (or the respondent) get loans, in your area?

1. The Village/ community head/ Panchayat _____
2. The Religious faction/ Mullah/ priest/ pandit _____
3. Feudal/ Landlords/ Big men in the area _____
4. Local money lenders/ traders _____
5. Senior Men/ members of the caste you belong to _____
6. Family members _____
8. Neighbours _____
9. Others of importance: specify _____

54. Have any of the following groups ever approached/ warned you (or other community/ clan members) with negative details/facts/views/opinions etc. about the MFIs/their employees/clients

1. Public officials/ servants (bureaucracy) _____
2. The Village/ community head/ Panchayat _____
3. The Religious faction/ Mullah/ priest/ pandit _____
4. Feudal/ Landlords/ Big men in the area _____
5. Local money lenders/ traders _____
6. Senior Men/ members of the caste you belong to _____
7. Other rural Banks/ MFIs (employees) etc. specify _____
8. Other family members: specify _____
9. Neighbours _____
10. Others: specify _____

55. Does your husband know of your borrower status (if any) that helps you earn money (if at all)

1. Yes
2. No
3. Don't know

56. Do you know your family income?

1. Yes
2. No

57. How much do your earnings (if any) contribute to the total household income?

1. Almost none
2. Less than half
3. About half
4. More than half
5. All

58. When you earn money, do you

1. Give all to husband/ other family member

2. Gives some to husband/ other family member, keeps some for yourself
3. Keeps all of it
4. Any other, specify
5. No answer

59. If part of the income is retained, is that:

1. With your husband's knowledge _____
2. Without your husband's knowledge _____

60. If your husband were unable to support you, would you be able to support yourself and your children?

1. Yes
2. No
3. No answer

61. Is there someone else you could rely on for support?

1. Yes
2. No

62. If yes, please provide details. _____

63. Does your household have a bank account?

1. Yes
2. No

64. If yes, in whose name? _____

65. Do you have a bank account that you *yourself* use?

1. Yes
2. No

66. Regardless of who keeps the money you earn, do you have a say in how your earnings are used or does someone else decide this?

1. Respondent has a say
2. Husband has a say
3. Someone else has a say _____
4. No answer

67. Does your husband ever drink alcohol?

1. Yes
2. No

68. If yes, can it happen he gets drunk?

7. Never
8. Social events, festivals
3. Several times a week
4. Every day

69. Are you afraid to disagree with your husband because he will be angry with you?

1. Yes
2. No
3. No answer

70. How often do you and your husband disagree on the following issues?

	Frequently	Not very often	Never	Varies
1. Moral and religion	_____	_____	_____	_____
2. Spending money/ financial preferences	_____	_____	_____	_____
3. Education of children	_____	_____	_____	_____
4. Use of alcohol	_____	_____	_____	_____
5. SHG/ MFI association	_____	_____	_____	_____

71. Would he permit you to improve your education if you wanted to?

1. Yes
2. No

72. I am going to ask you about some situations which happened to some women. Please tell me if these apply to your relationship with your husband.

i) He (is/was) jealous or angry if you (talk/talked) to other men.	a) Yes b) No
--	-----------------

	c) Sometimes d) Don't know e) No answer
ii) He frequently (accuses/accused) you of being unfaithful.	a) Yes b) No c) Sometimes d) Don't know e) No answer
iii) He (does/did) not permit you to meet your female friends.	a) Yes b) No c) Sometimes d) Don't know e) No answer
iv) He (tries/tried) to limit your contact with your family.	f) Yes g) No h) Sometimes i) Don't know j) No answer
v) He (insists/insisted) on knowing where you (are/were) at all times	a) Yes b) No c) Sometimes d) Don't know e) No answer
vi) He (does/did) not trust you with any money.	a) Yes b) No c) Sometimes d) Don't know e) No answer
vii) He would have problems to let you go alone to the market/ outside	a) Yes b) No c) Sometimes d) Don't know e) No answer
viii) Your husband does not allow you to travel to a nearby town alone.	a) Yes b) No c) Sometimes d) Don't know e) No answer

73. Does your husband mistreat/ abuse you (examples of emotional abuse: as degrading remarks against herself/ loved ones, personal attacks on character, threatening with divorce etc.; physical abuse: as actions causing physical pain via slapping/hitting/pushing/ pulling of hair/kicking etc.):

	Yes	No
1. emotionally/ verbally	_____	_____
2. physically	_____	_____

74. Has he recently

1. Physically hurt/ threatened or mistreated you?	a) Often b) Sometimes c) Not at all
2. Said or done something to humiliate you in front of others?	a) Often

	b) Sometimes c) Not at all
3. Threatened to hurt or harm you or someone close to you or himself?	a) Often b) Sometimes c) Not at all
4. Made you feel bad about yourself?	a) Often b) Sometimes c) Not at all
5. Ignored/ been indifferent	a) Often b) Sometimes c) Not at all
6. Been finding fault with you	a) Often b) Sometimes c) Not at all
7. Any other, specify.	a) Often b) Sometimes c) Not at all

75. What was the reason for the conflict/ abuse? (Tick all relevant options)

Reason	Emotional/verbal abuse	Physical abuse
a. Not attending to household chores/ children/ in laws properly b. Talking to neighbours/other men c. Dowry issues d. Frustration due to economic problems e. Because there is disagreement on decisions regarding spending of family income f. Any other, specify		

76. Whom do you seek support from when you are mistreated?

Support	Emotional/verbal abuse	Physical abuse
a. No one b. My parents c. My relatives d. Friends and neighbours e. Co-workers f. Peer group (loan) g. Any other, specify		

NOTE: Question to be asked if not with an MFI and not economically active

77. Do you think that the violence in your relationship (if any) with husband/ father/ guardian will improve if you had more economic strength? Elaborate (probe): _____

NOTE: Following question(s) to be asked if with respondent is with another MFI and/or

economically active

78. Do you think that your association with the MFI and the change in your income from the loan is responsible for a deterioration in your relationship (if any) with husband/ father/ guardian
Elaborate (probe): _____

79. Did you join the SHG or become a member of (group) lending as it may help you deal with marital abuse and (marital) violence? 1. Yes 2. No

80. Does your husband/ father/ male guardian approve of you joining the SHG or being provided a loan? 1. Yes 2. No

81. Due to your membership with the MFI, has anyone (apart from your husband/ father/ guardian) mistreated you in any way? 1. Yes 2. No

82. If yes, who mistreated/ abused you?

	Emotional/verbal abuse	Physical abuse
7. Father-in-law 8. Mother-in-law 9. Son 10. Daughter 11. Other relatives 12. Any other, specify		

83. If yes, how frequently does this happen?

Frequency	Emotional/verbal abuse	Physical abuse
6. Every day 7. At least once in a week (but not every day) 8. At least once in a month 9. Occasionally 10. Cannot tell		

84. Ever since your membership with the MFI, have you been able to defend yourself actively against the mistreatment/ abuse from your husband / other family members (be it emotional/ verbal/ physical)

1. Yes, specify against whom and how _____

2. No

85. If yes, how frequently have you had to defend yourself?

Frequency	Emotional/verbal abuse	Physical abuse
6. Every day 7. At least once in a week (but not every day) 8. At least once in a month 9. Occasionally 10. Cannot tell		

Thank the respondent and conclude the survey

APPENDIX 3D Individual questionnaire: Husband/ Father/ Guardian of non-borrower

Village	_____
District/ block	_____
Household number:	_____
Full name of responde	_____
Gotra (Surname)	_____
Gender	_____
S.No. of respondent:	_____
Family relationship to Female respondent	_____
Date	_____
Time started interview	_____
Time finished interview	_____
Additional details	_____

NOTES: (Living conditions of the respondent and the neighbourhood in general)

a) *Husbands/ Fathers/ Male Guardians profile, credit background and stand on Microfinance*

1. Age _____
2. Main occupation _____
3. Whether work undertaken is seasonal 1. Yes 2. No
4. Any other sources of income
 1. None
 2. Wage employment
 3. Livestock
 4. Agriculture
 5. Other production / service / trade enterprise
 6. Other combination: Specify _____
5. Socio-cultural group:
 1. Hindu: Caste/ sub-Caste _____
 2. Muslim: Caste _____
 3. Jain: Caste _____
 4. Sikh: Caste _____
 5. Christian: Caste _____
 6. Other: Specify _____
6. Educational status:
 - A) Literacy level: Can you
 1. Write your name
 2. Operate/ handle a mobile
 3. Read a book or a newspaper
 - B) Did you complete
 1. Primary
 2. Secondary: lower_____, upper_____
 3. Tertiary
 4. Few years of schooling without formal primary completion:
Specify: No. of years:_____
 5. No formal schooling, but some informal education
Specify how long and by whom: _____
 6. No schooling at all
7. Which credit possibilities do you have on the market?
 1. Banks (commercial/ agriculture etc.)
 2. Microfinance Institutes/ organisations
 3. Money Lenders/ Traders
 4. Others, specify: _____
8. In addition to other means of credit (money lenders/ traders/ feudal lords etc.), how long has the possibility of small loans from an MFI existed in your locality/area? _____
9. If yes, has a bank or a lending Institute ever refused you a loan application?
 1. Yes
 2. No
 3. Never applied
10. Have you ever had anything to do with a bank/ financial institute/ money lenders or others regarding financial matters?
 1. Yes
 2. No

11. If yes with whom and in which context: Savings Credit
- | | | |
|----------------------------|-------|-------|
| 1. Bank/ finance Institute | _____ | _____ |
| 2. Money Lenders/ Traders | _____ | _____ |
| 3. Others, specify _____ | _____ | _____ |
12. What is your opinion on the importance of the following institutions/ people and who makes them up respectively: (probe whether socially important or feared or threat to faith (interest in Islam for example) and/ or customs or norms?)
1. Banks (commercial, agricultural etc.) _____
 2. MFIs (NGOs, micro credit banks etc.) _____
 3. Money lenders/ traders (other credit sources) _____
 4. Big important men/ groups within the locality _____
 5. Religious/ community affiliated groups _____
 6. Public officials/ employees _____
 7. Others who might be influential in any way, specify _____
13. Is there a women's SHG in your village supported by an MFI? 1. Yes 2. No
14. Is your wife a member of a SHG or an active borrower with an MFI? 1. Yes 2. No
15. Has your wife ever wanted to become an active borrower of the MFI or a SHG?
1. Yes 2. No 3. Don't know
16. If she were to opt for a loan with an MFI, would you
1. Support her all the way
 2. Not allow it/ oppose the idea strongly
 3. Be indifferent to the whole thing
 4. Be against the idea but still let her go ahead
 5. Discuss it with other family/ clan members and accordingly take the decision
 6. Other _____
17. Are there any other women in your family, neighbourhood, community, village etc. who are active borrowers of the MFI? 1. Yes 2. No
18. In your opinion, women who are clients of the MFIs are (tick all relevant options):
1. ...benefiting from the loan economically?
 2. ...helping their families and improving her own and their families live
 3. ...more confident and emancipated because of their economic power
 4. ...not benefiting at all
 5. ... thought and spoken bad of in the community/ neighbourhood
 6. ...having trouble dealing with confrontations within the family, society and communal life by peers / other groups because of their membership with the MFI; specify _____
 7. ...causing problems and disharmony for their husbands and family due to the change in income and their status within the family; specify _____
 8. ...personal opinion; if any _____
-
19. What does your wife/ other family members think of the idea of getting a loan from the MFI?
- _____
- _____

20. In case of an economic emergency/ financial need who do you turn to:
1. Rely on own savings
 2. Borrow from family and friends
 3. Lend from clan members/ neighbours
 4. Lend from Money lenders/ traders/ land lords/ big men etc.
 5. Others; specify_____

21. Do your neighbours assess your household (relative to neighbourhood) as:
1. Relative wealthy
 2. Just average
 3. Relatively poor
 4. Very poor

b) Marriage/relationship to female counterpart; dependence & care

22. What is your wife's name? _____
 (Note: If respondent is Muslim, ask if he has any 'other' wives and if yes, note all details for 'others' as well)

23. What was your age at your current marriage? _____

24. Is this your first marriage? 1. Yes 2. No

25. If no, how many times have you been married before? _____

26. Were your preferences ascertained before finding a wife for you? 1. Yes 2. No

27. How would you rank the relative status of your family versus your wife's at the time of your marriage?
1. Same as your family
 2. Higher than your family
 3. Lower than your family
 4. Don't know

28. Is your wife economically active (earning money/ employed)? 1. Yes 2. No

29. Does your wife know your and the overall family income?
1. Yes
 2. No
 3. Other: specify_____

30. How much do her earnings contribute to the total household income?
1. Almost none
 2. Less than half
 3. About half
 4. More than half
 5. All

31. When she earns money, does she usually:
1. Gives all to you / other family member: specify_____
 2. Gives some to you/ other family member, keeps some for herself: specify_____
 3. Keeps all of it
 4. Others specify
 5. No answer

32. When you earn money, do you usually:
1. Gives all to wife/ other family member: specify_____
 2. Gives some to wife/ other family member, keeps some for yourself: specify_____

3. Keeps all of it
4. Others specify
5. No answer, refusal

33. If you retain a part of your income, is that: 1. With your wife's knowledge?
2. Without your wife's knowledge?

34. Does your household have a joint bank account? 1. Yes 2. No

35. If yes, in whose name? _____

36. Does your wife have a bank account that she *herself* uses? 1. Yes 2. No

37. Has she *herself* ever taken a loan—cash/ kind—from any programme in the past, to start or to expand a business or is she part of a SHG? 1. Yes 2. No

38. If yes, please provide details. _____

39. Regardless of who keeps the money she earns, do you have a say in how her earnings are used?
1. Yes; specify in which way _____
2. No

40. Does someone else have a say apart from herself, in how her earnings are used?

41. Regardless of who keeps the money you earn, do you have a say in how your earnings are used or does someone else decide this?
1. Respondent has a say
2. Wife has a say
3. Someone else has a say _____
4. No answer

42. What is/was your father's main occupation?

1. Wage employment in agriculture	4. Self- employed in non-agricultural activities
2. Wage employment in non-agricultural activities	5. Salaried job
3. Self- employed in agriculture	6. Any other, specify

43. How much agricultural land does your natal family own? _____

44. Number of siblings: Brothers: Sisters:
_____ Younger Brother(s) _____ Younger Sister(s)
_____ Elder Brother(s) _____ Elder Sister(s)

Old age support **Only if one or both parents are alive**

45. When your parents fall sick or are disabled, who takes care of them? (Tick all relevant options)

- | | |
|---|-----------------------|
| 1. Myself | 5. Neighbours |
| 2. My brother(s) and his/ their wife(ves) | 6. No one |
| 3. My sister(s) and her family(ies) | 7. Any other, specify |
| 4. Other relatives | |

46. What is the major source of financial support for your parents? (Tick all relevant options)

- | | |
|--------------------|---------------------------------------|
| 1. Sons | 6. Rent, dividends, interest, pension |
| 2. Daughters | 7. Own earnings |
| 3. Other relatives | 8. Government support |
| 4. Savings | 9. Any other, specify |
| 5. Land | |

47. When your parents fall sick or are disabled, who takes care of them? (Tick all relevant options)

- | | |
|--------------------------------|-----------------------|
| 1. Myself and my wife | 4. Neighbours |
| 2. My brothers and their wives | 5. No one |
| 3. Other relatives | 6. Any other, specify |

48. Does your wife give money to her parents?

- | | |
|---|----------------------------|
| 1. Regularly remit | 4. At other rare occasions |
| 2. Occasionally (on festivals, events, illness) | 5. Not at all |
| 3. If they ask, if there is a crisis | |

49. If no, why not?

1. Married daughters do not give; parents will not accept from married daughters
2. Parents do not need any financial help
3. I don't like it
4. Cannot afford
5. Any other, specify

50. In your community, are married daughters expected to take care of/ support their parents?

- | | |
|--------|-------|
| 1. Yes | 2. No |
|--------|-------|

c) Details on attitude, intra-household dynamics; Violence (verbal/emotional/physical)

(Note: questions for wife's/ female counterpart's income to be asked only when she's economically active)

51. Do you agree or disagree with the following statements below:

Some people say:

- a) Women are not made for business; therefore, their husband's should handle all financial issues and keep control of the money.
- b) Women should get more education so that they can better handle financial issues.
- c) It is OK if a wife earns more than her husband.

Agree	Disagree
-------	----------

_____	_____
_____	_____
_____	_____

52. Do you ever drink alcohol?

- | | |
|--------|-------|
| 1. Yes | 2. No |
|--------|-------|

53. If yes, can it happen that you get drunk

1. Never

2. Very rarely

3. Sometimes (Social events, festivals etc.)

4. Several times a week

5. Every day

54. Do you find it normal/ OK if

Yes No

a). If (married) women work outside?

— —

b). If (married) women talk to other men?

— —

c). If (married) women often dress well?

— —

d). Women should be permitted to improve their education if they wanted to?

— —

55. Does anyone mind, if your wife goes out without your or a senior family member's permission?

To the market	Meet friends	Meet relatives/ parents	To the fields	To a place of worship	To travel to a nearby Town	Local Health Centre
1. Yes	1. Yes	1. Yes	1. Yes	1. Yes	1. Yes	1. Yes
2. No	2. No	2. No	2. No	2. No	2. No	2. No
3. Not allowed	3. Not allowed	3. Not allowed	3. Not allowed	3. Not allowed	3. Not allowed	3. Not allowed

56. Does anyone mind, if your wife goes out without informing you or a senior family member?

To the market	Meet friends	Meet relatives/ parents	To the fields	To a place of worship	To travel to a nearby Town	Local Health Centre
1. Yes	1. Yes	1. Yes	1. Yes	1. Yes	1. Yes	1. Yes
2. No	2. No	2. No	2. No	2. No	2. No	2. No
3. Not allowed	3. Not allowed	3. Not allowed	3. Not allowed	3. Not allowed	3. Not allowed	3. Not allowed

57. Is it okay for your wife to work outside?

1. Yes

2. No

58. Is there something wrong with a man who does not hit or beat his wife?

1. Yes

2. No

59. If yes, what is wrong? (Probe) _____

60. Have you been encountered/ threatened or provoked in any way (physical or verbal) because your wife works/ earns money by the following groups:

1. Public officials/ servants (bureaucracy)

2. Other local money lenders/ traders

3. Landlords/ big men

4. Other rural Banks/ MFIs etc.: specify _____

5. Village heads /other family members : specify _____

6. Others: specify _____

61. If YES, give details: _____

62. What is the opinion of the following people/ groups, about the operations of the MFI, from which you get your loan, in your area?
1. The Village/ community head/ Panchayat_____
 2. The Religious faction/ Mullah/ priest/ pandit _____
 3. Feudal/ Landlords/ Big men in the area_____
 4. Local money lenders/ traders_____
 5. Senior Men/ members of the caste you belong to_____
63. Have any of the following groups ever approached or warned you (or other community/ clan members) with negative details/ facts/ views/ opinions etc. about the MFIs or their employees/ clients?
1. The Village/ community head/ Panchayat_____
 2. The Religious faction/ Mullah/ priest/ pandit _____
 3. Feudal/ Landlords/ Big men in the area_____
 4. Local money lenders/ traders_____
 5. Senior Men/ members of the caste you belong to_____

64. Do you and your wife have disagreements/ fights/ loud arguments and how often?
Specify: _____

65. In your opinion, is it normal / a husbands acceptable behaviour if:
- | | Yes | No |
|---|-----|-----|
| a. ..a husband, were to say or do something to humiliate his wife in front of others? | ___ | ___ |
| b. ..a husband threatens to hurt or harm his wife or someone close to her/ himself? | ___ | ___ |
| c. ..a husband insults his wife or makes her feel bad about herself? | ___ | ___ |
| d. ..a husband can and may ignore or be indifferent to his wife? | ___ | ___ |
| e. ..a husband finds fault with his wife just to have a reason for a provocation? | ___ | ___ |
| f. ..a husband is (frequently) violent towards his wife physically for whatever reason? | ___ | ___ |
| g. ..a husband can abuse his wife emotionally and verbally? | ___ | ___ |

66. Do you know anyone among your friends/ peers/ neighbours/ family who finds such behaviour/ thinking (as above) normal? 1. Yes 2. No

67. Have you ever conducted such behaviour towards your wife? 1. Yes 2. No

68. If and when there is conflict in your household what is the main reason? (Tick all relevant options)

Reason	Emotional/ verbal abuse	Physical abuse
1. Not attending to household chores/ children/ in laws properly		
2. Talking to neighbours/other men		
3. Dowry issues		
4. Frustration due to economic problems		
5. Because there is disagreement on decisions regarding spending of family income		
6. Any other, specify		

69. Does your wife maltreat/ provoke you emotionally/verbally when you are not already emotionally/ verbally hurting her? 1. Yes 2. No

70. Does your wife physically maltreat you when you are not already physically hurting her? 1. Yes 2. No

71. If yes, how frequently does this happen?

Frequency	Emotional/ verbal abuse	Physical abuse
6. Every day		
7. At least once in a week (but not every day)		
8. At least once in a month		
9. Occasionally		
10. Cannot tell		

Thank the respondent and conclude the survey

Preliminary remarks

The development of financial markets, go hand in hand with the economic development of a country/ region etc. For less developed countries with lower purchasing power per head, microfinance institutions (MFIs) play an important role in the financial market, as they meet the financial needs of the majority.

The Goal of my study is to interrogate and analyse the interaction between the MFIs and other institutions and stake holders. What benefits do the MFIs provide and how can this be linked to not only the general conditions/ framework within which these MFIs operate but also how is the whole set up influenced given the social and cultural context.

Therefore a sample of some 100 people from the locality the MFI serves would be interviewed to check for the familial life/ habits and social customs and norms. In addition the employees and senior executive MFI officers will be interviewed to check for institutional adjustments to the demands of the environment in which they operate.

I would like to express my deep gratitude that I may take your time to conduct this interview that would help me analyse and study the results later for my project.

Let me assure you that the conversation/ interview that I would be having here with you would be absolutely anonymous and the identities of all respondents would not be disclosed to anyone.

STRUCTURE OF THE INTERVIEW

I will be asking you some fifteen questions regarding your work with the clients/ borrowers of the MFI. If you feel that something worthwhile from your experience in this context is not being covered by the questions please feel free to relate any comments/ stories that you want to at the end.

APPENDIX 3E

Microfinance Study

Individual questionnaire: MFI Loan officers/ Employees

Villagecovered	_____
District/ block	_____
Full name of respondent	_____
MFI Employee since	_____
Gender	_____
Date	_____
Time started interview	_____
Time finished interview	_____
Additional details	_____

NOTES:

1. Do you face any difficulties while in the field for loan disbursement/ collection activities from and of the following groups

1. People of the locality
2. Family members of the borrower
3. Local money lenders/ traders
4. Land/ feudal lords (big Men) or their supporters/ devotees
5. Officers/ employees of other rural banks and/ or MFIs
6. Members of the religious faction
7. Others: specify_____

2. If so explain what these difficulties were: _____

3. Have members/ borrowers ever indicated difficulties in either the efficient use of the loan or repayment due to the influence of third parties (family members or others)?

1. Yes 2. No

4. If so, can you provide some details: _____

5. In your opinion, are there women borrowers who would not disclose/ or must keep secret their membership with the bank and or SHG openly to their family members (husband, in laws, parents etc.) and/ or others in their immediate surroundings (neighbours, caste/ clan members etc.)? _____

6. Have there also been cases of clients who have had it easier to make efficient use of their loans because of family support?

1. Yes, specify: _____ 2. No

7. While in the village/ town/ district on duty is there anything that you have to be wary of?

1. Yes 2. No

8. If yes specify what:

9. In your area, is the MFI in competition with any other organisation/ person also providing similar services? _____

10. If so, which and how do your services differ from theirs (e.g. target group, lending/ interest rates, loan durations, special mechanisms like group lending etc.)? _____

11. Have you had problems collecting instalments because SHG members were hindered in attending the weekly/ fortnightly/ monthly meetings? 1. Yes 2. No

12. Are there any government agencies and/ or employees who have unnecessarily caused you trouble or supported you out of the way in any way? Yes

No

1. Caused trouble	_____	_____
2. Supported out of the way	_____	_____

13. If yes, specify how _____

14. In your opinion, are there any specific community characteristics/ attributes that are different from other communities you know or have worked in, which have an impact on the MFI success or its failure?

Specify: _____

15. Additional Comments /remarks (if any)

Thank the respondent and conclude the Interview

APPENDIX 3F Individual questionnaire: CEO/ Senior Officers MFI

Full name of respondent	_____
Designation within the MFI	_____
Holding this post since	_____
Date	_____
Time started interview	_____ ended _____
Additional details	_____

1. What do you feel is the biggest hurdle in serving more of the poorer borrowers than you currently do? _____

2. Are there any specific government regulations that hinder or facilitate the work of your bank/ institute? (Examples for illustration: interest rate regulations for smaller loans, or high reserve requirements by the state bank etc.)

	Yes	No
Government regulations Facilitates work	_____	_____
Government regulations Hinders work	_____	_____

3. If yes specify: _____

4. Are there any difficulties/ hindrances faced by your institute from the legislative bodies?

1. Yes

2. No

5. If yes specify:

6. Are there competing Institutions? (let the respondent count and list first)

1. Government Rural Banks
2. Traditional Money lenders
3. Other Microfinance Institutions
4. Commercial Banks
5. Other: Specify_____

7. For each mentioned institution describe in detail the area of competition and respective (dis-) advantages (e.g. target group, lending/ interest rates, loan durations, special mechanisms like group lending etc.)?

1. Government Rural Banks _____

2. Traditional Money lenders _____

3. Other Microfinance Institutions _____

4. Commercial Banks _____

5. Others _____

8. Do you think that your competitors on the market also providing small loans have it easier than your bank?

	Yes	No
1. Government Rural Banks	_____	_____
2. Traditional Money lenders	_____	_____
3. Other Microfinance Institutions	_____	_____
4. Commercial Banks	_____	_____
5. Other	_____	_____

9. If so, specify why;

1. Government Rural Banks _____

2. Traditional Money lenders _____

3. Other Microfinance Institutions _____

4. Commercial Banks _____

5. Others _____

10. How do you finance/ fund your Institute/ loan portfolio? (tick all relevant ones and circle by relevance with 1 the most important/ greatest and 6 least important etc.)

1. Own profits	1	2	3	4	5	6
2. Grants/ Donations	1	2	3	4	5	6
3. Government subsidies	1	2	3	4	5	6
4. Other Investor banks	1	2	3	4	5	6
5. Savings of the borrowers	1	2	3	4	5	6
6. Other, specify:_____	1	2	3	4	5	6

11. Who do you think is your main competitor in the areas where you operate and lend?

12. How is your professional relationship with your main rival?

1. Friendly and professional
2. Indifferent
3. Animus/ that of animosity
4. Extremely hostile
5. Other, specify_____

13. Which experiences do you base this assertion on? _____

14. Within the areas that you operate, have you had any problems/ threats/ confrontations with the any of the following groups:

1. People of the locality
2. Local money lenders/ traders
3. Land/ feudal lords (big Men) or their supporters/ devotees
4. Other rural banks and/ or MFIs
5. Members of the religious faction
6. Others:

specify_____

15. If so, how did these problems come up, what did you do about it and what were the effects? _____

16. Have you had any experiences of appreciation/ support/ acknowledgement from any faction of the society/ government and or communal groups, regarding your work/ operation? If so specify? _____

17. What were your major problems (if any) while you were still setting up the MFI?

Thank the respondent and conclude the Interview

APPENDIX 3G Individual questionnaire: Money Lenders/ Traders/ Competitors

Full name of respondent	_____
Village	_____
District/ block	_____
Major number of clients come from (area)	_____
Gotra (Surname)	_____
Date	_____
Time started interview	_____
Time finished interview	_____
Additional details	_____

NOTES:

1. What is your main occupation? _____
2. Other than your main occupation, are there any others, and if so specify?
 1. Yes; _____
 2. No
3. Since when are you into this money lending business? _____
4. How big is your current business (loan portfolio)? _____
5. What kind of clients do you serve, please answer the following attributes for most of the clients:
 1. Income class _____
 2. Occupation _____
 3. Gender _____
 4. Socio-cultural group _____
6. Most of the loans that you give out are for what purpose, please specify: _____

7. Are there any main competitors on the market? If yes, specify:
 1. Yes _____
 2. No
 3. Don't know
8. What is your opinion about the MFIs operating in the area where most of your clients come from? _____

9. Have any of your previous clients been won over by your main competitors and are you losing business to them? Specify:
 1. Yes: _____
 2. No
10. What have you done to help avoid this loss of business? _____

11. Who is/ are your main rival(s) on the market? _____

12. How is your professional relationship with your main rival?
1. Friendly and professional
 2. Indifferent
 3. Animus/ that of animosity
 4. Extremely hostile
 5. Other, specify_____
13. Which experiences do you base this assertion on? _____

14. Do you think that your competitors on the market also providing small loans have it easier than you?
- | | Yes | No |
|------------------------------|-------|-------|
| 1. Government Rural Banks | _____ | _____ |
| 2. Microfinance Institutions | _____ | _____ |
| 3. Commercial Banks | _____ | _____ |
| 4. Other | _____ | _____ |
15. If so, specify why;
1. Government Rural Banks _____

 2. Microfinance Institutions _____

 3. Commercial Banks _____

 4. Others _____

Thank the respondent and conclude the survey

APPENDIX 4**Comparative demographic figures for Indian states (2011)**

INDIA / States	Female labour force participation rate (%) ¹	Female literacy rate (%) ²	Population per state or administrative unit ³	Ranking per population
National	25.5	64.6	100	-
Uttar Pradesh	16.7	57.2	16.49	1
Maharashtra	31.1	75.9	9.29	2
Bihar	19.1	51.5	8.58	3
West Bengal	18.1	70.5	7.55	4
Andhra Pradesh	36.2	59.1	7	5
Madya Pradesh	32.6	59.2	6	7
Tamil Nadu	31.8	73.4	5.96	6
Rajasthan	35.1	52.1	5.67	7
Karnataka	31.9	68.1	5.05	8
Gujarat	23.4	69.7	4.99	9
Odisha	27.2	64	3.58	10
Kerala	18.2	92.1	2.76	11
Jharkhand	29.1	55.4	2.72	12
Assam	22.5	66.3	2.58	13
Punjab	13.9	70.7	2.29	14
Chhattisgarh	39.7	60.2	2.11	15
Haryana	17.8	65.9	2.09	16
NCT of Delhi	10.6	80.8	1.38	17
Jammu & Kashmir	19.1	56.4	1.04	18
Uttarakhand	26.7	70	0.84	19
Himachal Pradesh	44.8	75.9	0.57	20
Tripura	23.6	82.7	0.3	21
Meghalaya	32.7	72.9	0.24	22
Manipur	38.6	72.4	0.22	23
Nagaland	44.7	76.1	0.16	24
Goa	21.9	84.7	0.12	25
Arunachal Pradesh	35.4	57.7	0.11	26
Puducherry	17.6	80.7	0.1	27
Chandigarh	16	81.2	0.09	28
Mizoram	36.2	89.3	0.09	29
Sikkim	39.6	75.6	0.05	30
D & N Haveli	25.3	64.3	0.03	31
A & N Island	17.8	82.4	0.03	32
Damu & Diu	14.9	79.5	0.02	33
Lakshadweep	11	87.9	0.01	34

Sources: 1. Census of India 2011a; 2. Census of India 2011b; 3. Census of India 2011c

APPENDIX 5 Comparative demographic figures for Pakistani provinces (2012-13)

Indicators*	Pakistan					
	National	Punjab	Khyber-Pakhtunkhwa	Sindh	Balochistan	Islamabad/FATA**
Female literacy rate (%)	48	53	37	48	26	-
Male literacy rate (%)	71	70	72	73	69	-
Female labour force participation rate (%)	22	26	14	16	10	-
Male labour force participation rate (%)	69	70	60	71	69	-
1998 population per province or administrative unit (%)	-	56	13	23	5	3
Population density per square Kilometre	166	359	238	216	19	-
Ranking per population density	-	1	2	3	4	-

* Combined for both rural and urban

** Federally Administered Tribal Areas

Source: Pakistan Bureau of Statistics 2014a, b and c.

APPENDIX 6**Self Help Groups (SHGs) and Joint Liability Groups (JLGs)**

Group name	Description
Self Help Groups (SHGs)	<p>SHGs are formed by a group of 10-25 women, coming together for the purpose of supporting their peers in matters of not only financial intermediation but also very basic skills like keeping accounts, disciplining savings and keeping track of their expenses etc. Usually the initiation for the group formation comes from an NGO, and the activities of the SHGs vary widely accordingly, ranging from advocacy on reproductive health to hygiene and sanitation. However SHGs are mostly initiated for financial mainstreaming of the women and other marginalized groups within the society and may be registered or unregistered. Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose for a small amount of interest. The members elect a president, a general secretary and a treasurer from among the group members who keep a record of the accounts and decide upon matters of the members via consultation within the group. A good functioning SHG is then linked to a bank and operate an account as a group with the deposits of the members and where they can also access loans for their members for income generating activities and the group backs the loan as a guarantor.</p> <p>SHGs basically have a bigger purpose than just financial intermediation. The social dimension is much stronger and women are brought together to build up on their weaknesses usually within a wider anti-poverty agendas from the NGOs like increasing school enrolments, improving nutrition and the effective use of birth control etc.</p>
Joint Liability Groups (JLGs)	<p>JLGs are an informal group of individuals, usually 4-10, who get together for the sole purpose of getting a loan from an MFI either singly or through the group mechanism against mutual guarantee. The JLG members would offer a joint undertaking to the bank/ MFIs that enables them to avail loans. The management of the JLG is to be kept simple with little or no financial administration within the group. Usually the members of the group come from a more or less similar social economic background, and may or may not necessarily know one another in advance. The group formation is also initiated partly by animators of the NGOs or MFIs and partly by the group members themselves.</p>

Source: Author with basic information from NABARD (2007)

APPENDIX 7 Key definitions and explanations of terms

Scheduled Castes and Scheduled Tribes

Scheduled Castes and Scheduled Tribes are historically disadvantaged and marginalized people that are given special recognition in the Constitution of India. Usually comprising of lower castes like Dalits (Harijans), Adivasis (aboriginals) or the Sudras (also referred to as the untouchables), these castes and tribes are entitled for positive discrimination by the Indian central government policy (Ministry of Social Justice and Empowerment India 2012). According to the 2011 Indian Census, the Scheduled Castes and Scheduled Tribes, make up around 16.2% and 8.2% of the Indian population respectively, or around 24.4% together.

Kin marriages

Kin marriages are marriages or alliances between blood and affinity relations. Such relations range from marrying within first or second cousins on both the maternal and paternal sides of the family. Though uncommon in Hindu religion, it is quite common in Muslim and Christian communities in South Asia.

Joint family system

It is a system of household in which close relatives in addition to the nuclear family live together within the same premises. Usually joint families refer to family units in which several generations live together but sometimes also close relatives like uncles, aunts and cousins living under the same roof.

Living conditions/ standard

The classification is a subjective one from an onsite observation of the living quarters, hygienic conditions, basic facilities available like electricity, running water, toilet, heating and cooling possibilities etc., the household size, living space available per person, the condition of residential premises and the ownership status.

Source of recruitment to MFI

This basically means how the loan with the MFI (NEED) came about and who initiated the first contacts, information or motivation etc. MFIs rely mainly on their loan officers, clients and other local associates within the communities like mediators or group leaders (more active members of the neighbourhoods) to act as ‘animators’ who then market, urge or

recommend potential clients to apply for a loan from the MFI. NEED clients were likewise motivated by one source or another as listed in table 5.2 for a loan with NEED.

Community or caste headman/ chief/ biradari

The society in South Asia generally and in India particularly is mostly structured and divided into social sub-classes along castes lines. A social class is separated from others by distinctions of hereditary rank, profession, or wealth. Such that all social practices, interaction, marriages and socializing can often be defined and confined according to which caste one belongs to. The community or caste head would then usually be a group of (senior) male kin (the patrilineage) who play a significant role in all social relations, thus in practice the honour and shame of individual members affects the general standing of the whole caste or 'biradari' within the community (adapted from Blood, 1994)

Restrictive attitude towards women

Much of the information in the study on the 'restrictive attitude towards women' have been gathered from responses of both men and women respondents via a number of questions that relate to general sentiments and attitudes among the men as they see themselves and as this is perceived by the women. The questions ranged from attitudes to women making their own decisions, to humiliating behaviour and/ or violence (physical, verbal and emotional) against women within the HHs, and also in their communities and how this behaviour was perceived or seen by men. Also question on the freedoms that women enjoyed of movement or of seeing friends and family or talking to male acquaintances etc. For details see the questionnaires for both men and women for borrower households and the control group.

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